Registre de Commerce et des Sociétés
B22232 - L140093075
déposé le 05/06/2014

M E N T I O N

Nom de la société : **ESPIRITO SANTO FINANCIAL GROUP S.A.**

Siège social : **22/24, Boulevard Royal, L-2449 Luxembourg**

N° du Registre de Commerce : **B 22 232**

N° CDO : **521**

Le bilan consolidé au : 31.12.2013

ont été déposés au Registre de Commerce et des Sociétés.

Pour mention aux fins de publication au Mémorial, Recueil Spécial des Sociétés et Associations.

Luxembourg, le 30 mai 2014

SG AUDIT SARL

Registre de Commerce et des Sociétés
B22232 - L140093075
enregistré et déposé le 05/06/2014

ESPÍRITO SANTO FINANCIAL GROUP S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

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L-2449 Luxembourg

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To the Shareholders of
Espírito Santo Financial Group S.A.
22/24 boulevard Royal
L-2449 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Espírito Santo Financial Group S.A., which comprise the consolidated statements of financial position as at December 31, 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Director's responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Espírito Santo Financial Group S.A. as of December 31, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion included in the previous paragraph, we draw attention to Note 41 and Note 47 of the annual accounts, which describe the euro 700 million provision in relation with the subscription by ESFG customers of debt instruments issued by Espírito Santo International S.A. ('ESI'). The Board of Directors of ESFG believes that the reimbursement of the debt instruments issued by ESI will be possible through implementation of the deleverage program, the support of ESI shareholders, its capacity to obtain or renew credit lines in the financial markets and, additionally, through the support from ESFG.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements. The accompanying Corporate Governance Statement on pages 30 to 40 which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law.

Luxembourg, April 28, 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

F. Rouault

ESPÍRITO SANTO FINANCIAL GROUP SA

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	Notes	31.12.2013	31.12.2012
		(In thousands of euro)	
Interest and similar income	5	3 629 256	4 097 681
Interest expense and similar charges	5	2 536 761	2 832 460
Net interest income		**1 092 495**	**1 265 221**
Dividend income		58 394	73 167
Fee and commission income	6	926 760	1 035 146
Fee and commission expenses	6	(203 628)	(185 532)
Net (losses) from financial assets and financial liabilities at fair value through profit or loss	7	(294 970)	(54 762)
Net gains from available-for-sale financial assets	8	451 649	605 568
Net (losses) from foreign exchange differences	9	(2 688)	(18 369)
Net (losses) from the sale of other assets	10	(67 063)	(42 573)
Insurance earned premiums net of reinsurance	11	694 668	407 632
Other operating income	12	74 843	458 937
Operating income		**2 730 460**	**3 544 435**
Staff costs	13	692 734	777 707
General and administrative expenses	15	518 076	502 760
Claims incurred net of reinsurance	16	483 218	631 943
Change in technical reserves net of reinsurance	17	153 331	(336 660)
Insurance commissions	18	(152 256)	39 256
Depreciation and amortisation	30 and 32	119 458	145 779
Provisions net of reversals	41	695 651	57 251
Loans impairment net of reversals and recoveries	26	1 005 293	794 291
Impairment on other financial assets net of reversals	24, 25 and 27	109 978	106 737
Impairment on other assets net of reversals	29, 30, 32 and 35	323 877	223 070
Other operating expenses	12	157 969	276 990
Operating expenses		**4 107 329**	**3 219 124**
Gains on disposal of investments in subsidiaries and associates	1 and 55	3	74 050
Gains arising on business combinations achieved in stages	1 and 55	-	87 273
Share of profit of associates	33	8 823	4 756
(Loss) / profit before income tax		**(1 368 043)**	**491 390**
Income tax			
Current tax	42	157 432	152 159
Deferred tax	42	(321 625)	(41 157)
		(164 193)	**111 002**
(Loss) / profit from continuing operations		**(1 203 850)**	**380 388**
Discontinued operations	29	(30 796)	(8 684)
(Loss) / profit for the year		**(1 234 646)**	**371 704**
Attributable to equity holders of the Company		**(864 031)**	**313 633**
Attributable to non-controlling interest	46	**(370 615)**	**58 071**
		(1 234 646)	**371 704**
Earnings per share of profit attributable to the equity holders of the Company:			
Basic (in Euro)	19	(4.23)	1.86
Diluted (in Euro)	19	(4.23)	1.86
Earnings per share of profit from continuing operations attributable to the equity holders of the Company:			
Basic (in Euro)	19	(4.19)	1.91
Diluted (in Euro)	19	(4.19)	1.91

The following notes form an integral part of these consolidated financial statements.

ESPÍRITO SANTO FINANCIAL GROUP SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	31.12.2013	31.12.2012
	(in thousands of euro)	
(Loss) / profit for the year		
Attributable to equity holders of the company	(864 031)	313 633
Attributable to non-controlling interest	(370 615)	58 071
	(1 234 646)	371 704
Other comprehensive income, net of income tax		
Items that will not be reclassified to the income statement		
Actuarial gains and (losses) from defined benefit obligation (Note 14)	(107 130)	(189 479)
Income taxes on actuarial gains and losses from defined benefit obligation	1 380	18 597
Total items that will not be reclassified to the income statement	**(105 750)**	**(170 882)**
Items that may be reclassified subsequently to the income statement		
Exchange differences on translating foreign operations	(80 274)	(58 581)
Income taxes on exchange differences on translating foreign operations	(6 663)	3 247
Other comprehensive income from associates	1 975	(10 009)
	(84 962)	(65 343)
Fair value reserve (available-for-sale financial assets):		
Net change in fair value	175 317	1 274 898
Net amount transferred to the income statement	(341 219)	(506 250)
Deferred taxes on gains / losses of available-for-sale financial assets	42 699	(129 070)
	(123 203)	639 578
Total items that may be reclassified subsequently to the income statement	**(208 165)**	**574 235**
Other comprehensive (loss) / income for the year, net of income tax	**(313 915)**	**403 353**
Total comprehensive (loss) / income for the year	**(1 548 561)**	**775 057**
Attributable to equity holders of the Company	**(945 085)**	**445 317**
Attributable to non-controlling interest	**(603 476)**	**329 740**
	(1 548 561)	**775 057**

The following notes form an integral part of these consolidated financial statements.

ESPÍRITO SANTO FINANCIAL GROUP SA

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013 AND 2012

	Notes	31.12.2013	31.12.2012
		(in thousands of euro)	
Assets			
Cash and deposits at central banks	20	1 828 674	1 444 831
Deposits with banks	21	1 148 934	1 126 853
Financial assets held for trading	22	2 488 465	3 981 845
Other financial assets at fair value through profit or loss	23	3 564 118	2 603 463
Available-for-sale financial assets	24	8 929 778	11 041 235
Loans and advances to banks	25	4 827 790	4 548 247
Loans and advances to customers	26	49 270 667	50 692 878
Held-to-maturity investments	27	1 672 068	1 119 047
Derivatives for risk management purposes	28	363 391	516 520
Non-current assets held for sale	29	3 567 011	3 280 185
Property and equipment	30	974 229	982 617
Investment properties	31	719 422	797 323
Intangible assets	32	608 269	703 210
Investments in associates	33	606 473	640 614
Technical reserves of reinsurance ceded	34	76 899	70 773
Current income tax assets		40 967	28 811
Deferred income tax assets	42	1 064 883	760 953
Other assets	35	3 097 613	3 234 655
Total assets		**84 849 651**	**87 574 060**
Liabilities			
Deposits from central banks	36	9 772 244	10 941 325
Financial liabilities held for trading	22	1 336 768	2 124 225
Deposits from banks	37	5 033 494	5 065 980
Due to customers	38	38 093 807	35 625 474
Debt securities issued	39	12 615 208	15 952 870
Derivatives for risk management purposes	28	130 710	125 199
Investment contracts	40	4 473 921	3 844 020
Non-current liabilities held for sale	29	153 580	175 945
Provisions	41	917 020	255 601
Technical reserves of direct insurance	34	2 643 156	2 488 328
Current income tax liabilities		122 313	253 406
Deferred income tax liabilities	42	96 972	154 736
Subordinated debt	43	1 403 188	1 176 482
Other liabilities	44	1 345 833	1 268 442
Total liabilities		**78 138 214**	**79 452 033**
Equity			
Share capital	45	207 075	207 075
Treasury shares	45	(3 459)	(35 965)
Share premium	45	884 456	884 456
Preference shares	45	51 367	55 978
Other equity components	45	26 418	58 100
Capital reserve not available for distribution	45	700 970	700 970
Fair value reserve	45	(3 208)	25 771
Other reserves and retained earnings	45	284 548	(10 282)
(Loss) / profit for the year attributable to equity holders of the Company		(864 031)	313 633
Total equity attributable to equity holders of the Company		**1 284 136**	**2 199 736**
Non-controlling interest	46	5 427 301	5 922 291
Total equity		**6 711 437**	**8 122 027**
Total equity and liabilities		**84 849 651**	**87 574 060**

The following notes form an integral part of these consolidated financial statements.

ESPÍRITO SANTO FINANCIAL GROUP

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	Share capital	Treasury shares	Share premium	Preference shares	Other equity instruments	Fair value reserve	Capital reserves non distributable	Other reserves and retained earnings	Profit / (loss) for the year attributable to equity holders of the Company	Total equity attributable to equity holders of the Company	Non-controlling interest	Total equity
							(in thousands of euro)					
Balance as at 31 December 2011	105 035	-	492 912	72 428	58 574	(165 624)	700 970	(118 847)	121 352	1 266 800	4 973 023	6 239 823
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	313 633	313 633	58 071	371 704
Other comprehensive income for the year, net of taxes												
Changes in fair value, net of taxes	-	-	-	-	-	191 395	-	-	-	191 395	448 183	639 578
Actuarial gains and (losses) from defined benefit obligation, net of taxes	-	-	-	-	-	-	-	(45 575)	-	(45 575)	(125 307)	(170 882)
Exchange differences, net of taxes	-	-	-	-	-	-	-	(11 456)	-	(11 456)	(43 878)	(55 334)
Other comprehensive income from associates	-	-	-	-	-	-	-	(2 680)	-	(2 680)	(7 329)	(10 009)
Total comprehensive income for the year	-	-	-	-	-	191 395	-	(59 711)	313 633	445 317	329 740	775 057
Transactions with owners, recorded directly in equity												
Share capital increase	102 040	-	397 960	-	-	-	-	-	-	500 000	-	500 000
Costs with capital increase	-	-	(6 416)	-	-	-	-	-	-	(6 416)	-	(6 416)
Costs with capital increase of subsidiaries	-	-	-	-	-	-	-	(3 416)	-	(3 416)	(8 730)	(12 146)
Transfer to reserves	-	-	-	-	-	-	-	*121 352*	*(121 352)*	-	-	-
Movements in treasury shares	-	*(35 965)*	-	-	-	-	-	-	-	(35 965)	-	(35 965)
Repurchase and exchange of own other equity instruments	-	-	-	*(16 450)*	*(474)*	-	-	*10 715*	-	(6 209)	-	(6 209)
Transactions on subsidiaries preference shares	-	-	-	-	-	-	-	1 271	-	1 271	(15 417)	(14 146)
Dividends on preference shares (a)	-	-	-	-	-	-	-	(5 965)	-	(5 965)	(4 388)	(10 353)
Dividends on perpetual bonds	-	-	-	-	-	-	-	(519)		(519)	(1 345)	(1 864)
Transactions with non-controlling interest (see Note 55)	-	-	-	-	-	-	-	45 628	-	45 628	(72 612)	(26 984)
Other	-	-	-	-	-	-	-	(790)	-	(790)	722 020	721 230
Balance as at 31 December 2012	207 075	(35 965)	884 456	55 978	58 100	25 771	700 970	(10 282)	313 633	2 199 736	5 922 291	8 122 027
Comprehensive income												
Loss for the year	-	-	-	-	-	-	-	-	(864 031)	(864 031)	(370 615)	(1 234 646)
Other comprehensive income for the year, net of taxes												
Changes in fair value, net of taxes	-	-	-	-	-	(28 979)	-	-	-	(28 979)	(94 224)	(123 203)
Actuarial gains and (losses) from defined benefit obligation, net of taxes	-	-	-	-		-	-	(34 210)	-	(34 210)	(71 540)	(105 750)
Exchange differences, net of taxes	-	-	-	-	-	-	-	(18 629)	-	(18 629)	(68 308)	(86 937)
Other comprehensive income from associates	-	-	-	-	-	-	-	764	-	764	1 211	1 975
Total comprehensive income for the year	-	-	-	-	-	(28 979)	-	(52 075)	(864 031)	(945 085)	(603 476)	(1 548 561)
Transactions with owners, recorded directly in equity												
Transfer to reserves	-	-	-	-	-	-	-	313 633	(313 633)	-	-	-
Movements in treasury shares	-	32 506	-	-	-	-	-	-	-	32 506	-	32 506
Repurchase and exchange of own other equity instruments	-	-	-	-	(31 682)	-	-	31 682	-	-	-	-
Transactions on subsidiaries preference shares	-	-	-	(4 611)	-	-	-	3 481	-	(1 130)	(29 519)	(30 649)
Dividends on preference shares [(a)]	-	-	-	-	-	-	-	(5 169)	-	(5 169)	(5 048)	(10 217)
Dividends on perpetual bonds	-	-	-	-	-	-	-	(600)	-	(600)	(1 591)	(2 191)
Transactions with non-controlling interest	-	-	-	-	-	-	-	3 016	-	3 016	(53 214)	(50 198)
Other	-	-	-	-	-	-	-	862	-	862	197 858	198 720
Balance as at 31 December 2013	207 075	(3 459)	884 456	51 367	26 418	(3 208)	700 970	284 548	(864 031)	1 284 136	5 427 301	6 721 437

[(a)] Corresponds to a preferred dividend paid by BES Finance calculated based on an annual rate of 5.58% on the nominal amount of the preference shares outstanding and to the preferred dividend paid by ESFG International calculated based on an annual rate of 5.753% on the nominal amount of the preference shares outstanding (see note 45).

The following notes form an integral part of these consolidated financial statements.

ESPÍRITO SANTO FINANCIAL GROUP SA

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	Notes	31.12.2013	31.12.2012
		(in thousands of euro)	
Cash flows from operating activities			
Interest and similar income received		3 410 463	4 117 818
Interest expense and similar charges paid		(2 298 066)	(2 859 407)
Fees and commission received		928 480	1 040 330
Fees and commission paid		(60 519)	(232 625)
Insurance premiums		698 064	455 608
Claims paid		(501 148)	(629 661)
Medical services income received		13 816	338 201
Medical services expenses paid		(2 572)	(196 622)
Recoveries on loans previously written off		21 063	21 900
Contributions to pension fund		(103 806)	(86 410)
Cash payments to employees and suppliers		(1 127 514)	(1 230 679)
Net cash from operating profits before changes in operating assets and liabilities		**978 261**	**738 453**
Deposits with central banks		(1 821 520)	(2 836 014)
Financial assets at fair value through profit and loss		(593 867)	1 336 341
Loans and advances to banks		284 582	746 249
Deposits from banks		(23 670)	(1 247 339)
Loans and advances to customers		(250 761)	(526 961)
Due to customers		2 445 089	658 356
Derivatives for risk management purposes		63 281	226 558
Other operational assets and liabilities		(23 286)	(482 065)
Net cash from operating activities before income tax		**1 058 109**	**(1 386 422)**
Income taxes paid		(290 237)	(51 189)
Net cash from operating activities		**767 872**	**(1 437 611)**
Cash flows from investing activities			
Purchase of subsidiaries and associates		(44 982)	(367 428)
Sale of subsidiaries and associates		80 079	202 762
Dividends received		64 647	74 217
Purchase of financial assets available for sale		(55 955 501)	(70 323 809)
Sale of financial assets available for sale		58 759 065	73 794 572
Held to maturity investments		(541 690)	681 033
Issued insurance investment contracts		424 305	482 542
Purchase of tangible and intangible assets and investment properties		(183 108)	(544 684)
Sale of tangible and intangible assets and investment properties		26 422	14 068
Net cash (used in) / from investing activities		**2 629 237**	**4 013 273**
Cash flows from financing activities			
Capital increase		-	493 584
Repurchase of preference shares		(2 757)	(17 627)
Debt securities issued		6 615 714	14 112 540
Debt securities paid		(9 842 434)	(17 669 609)
Subordinated debt issued		750 400	-
Subordinated debt paid		(510 515)	(234 386)
Treasury stock		38 639	(15 222)
Non-controlling interest on capital increase of subsidiaries		-	755 511
Interest on other equity instruments		(2 191)	(1 864)
Dividend paid on ordinary shares		(1 673)	(6 329)
Dividend paid on preferred shares		(10 217)	(15 213)
Net cash from financing activities		**(2 965 034)**	**(2 598 615)**
Effect of exchange rate changes on cash and cash equivalents		(74 554)	(27 291)
Net increase in cash and cash equivalents		**357 521**	**(50 244)**
Cash and cash equivalents at beginning of the year		2 123 505	1 990 928
Cash and cash equivalents at end of the year		2 481 026	2 123 505
Cash acquired on change in scope of consolidation			182 821
		357 521	**(50 244)**
Cash and cash equivalent includes:			
Cash	20	289 349	304 409
Deposits with Central Banks	20	1 539 325	1 140 422
Mandatory deposits with Central Banks	20	(496 582)	(448 179)
Deposits with banks	21	1 148 934	1 126 853
Total		**2 481 026**	**2 123 505**

The following notes form an integral part of these consolidated financial statements.

NOTE 1 - ACTIVITY AND GROUP STRUCTURE

Espírito Santo Financial Group S.A. (ESFG or the Group) is a limited liability company headquartered in Luxembourg, incorporated under Luxembourg law on 28 November 1984, and is the holding company of the banking and financial activities of the Espírito Santo Group (GES) located in Luxembourg, Portugal and around the world. Most of the non financial activities of the Espírito Santo Group, including real estate, tourism and other activities are managed by Rio Forte Investments S.A., a limited liability company headquartered in Luxembourg and a fully owned subsidiary of E.S. International S.A. (ESI), a company headquartered in Luxembourg.

In December 2013, Espírito Santo Irmãos S.A., a fully-owned subsidiary (direct and indirect) of Rio Forte Investments S.A., acquired from ESI its participation in ESFG. Consequently, Rio Forte Investments S.A., became the indirect holder of the interest of the Espírito Santo Group in ESFG. The terms and conditions of the agreement established between ES Irmãos and ESI were met only during the month of January 2014, therefore control over ESFG was obtained by Rioforte only in 2014. As a result, from 1 January 2014, ESFG will be fully consolidated by Rio Forte.

The ultimate parent company of ESFG remains Espirito Santo Control S.A. (ESC), a company headquartered in Luxembourg, direct parent company of ESI.

Consolidated financial statements of ESFG are available at the Company's registered office at 22-24 Boulevard Royal in Luxembourg. There are no audited consolidated financial statements at the level of ESI or ESC.

Through its subsidiaries, the Group (ESFG and its subsidiaries) engages in a broad range of financial activities primarily through Banco Espírito Santo S.A. and its insurance companies: Companhia de Seguros Tranquilidade S.A., BES Vida, S.A. and T-Vida, Companhia de Seguros S.A.. Its operations abroad complement its Portuguese activities.

ESFG is listed on the Luxembourg, London and Lisbon Stock Exchanges.

(Amounts expressed in thousands of euro, except when indicated)

The following table describes the main activity of each of the Group's subsidiaries and associates as at 31 December 2013 and 31 December 2012:

Subsidiaries

			31.12.2013		31.12.2012	
	Activity	Location	Voting interest	Economic interest	Voting interest	Economic Interest
Advancecare - Gestão de Serviços de Saúde, S.A.	Managed care	Portugal	51.0%	51.0%	51.0%	51.0%
Aman Bank for Commerce and Investment Stock Company (a)	Commercial banking	Libya	40.0%	11.0%	40.0%	10.9%
AOC Patrimoine	Assets management	France	100.0%	56.5%	100.0%	56.4%
Arrábida - Fundo Especial de Investimento Imobiliário Fechado	Real Estate Fund	Portugal	100.0%	26.7%	-	-
Atlantic Ventures Corporation	Holding company	USA	100.0%	18.1%	100.0%	22.1%
Atlantic Ventures III Corporation	Holding company	USA	-	-	100.0%	20.8%
Avistar, SGPS, S.A.	Holding company	Portugal	100.0%	27.4%	100.0%	27.4%
Banco Espírito Santo Angola, SARL	Commercial banking	Angola	55.7%	15.3%	51.9%	14.2%
Banco Espírito Santo de Investimento, S.A.	Investment banking	Portugal	100.0%	27.4%	100.0%	27.4%
Banco Espírito Santo do Oriente, S.A.	Commercial banking	Macao	99.8%	27.4%	99.8%	27.3%
Banco Espírito Santo dos Açores, S.A.	Commercial banking	Portugal	57.5%	15.8%	57.5%	15.7%
Banco Espírito Santo North America Capital Limited Liability Co.	Financing vehicle	USA	100.0%	27.4%	100.0%	27.4%
Banco Espírito Santo, S.A. (a)	Commercial banking	Portugal	36.7%	27.4%	36.7%	27.4%
Banco Espírito Santo Cabo Verde	Commercial banking	Cape Green	100.0%	27.4%	100.0%	27.4%
Bank Espírito Santo International, Ltd.	Commercial banking	Cayman Islands	100.0%	27.4%	100.0%	27.4%
Banque Espírito Santo et de la Vénétie, S.A.	Commercial banking	France	87.5%	56.5%	87.5%	56.5%
Banque Privée Espírito Santo, S.A.	Asset management	Switzerland	100.0%	100.0%	100.0%	100.0%
BES Activos Financeiros, Ltda	Asset management	Brazil	100.0%	23.3%	100.0%	23.2%
BES África, SGPS, S.A.	Holding company	Portugal	100.0%	27.4%	100.0%	27.4%
BES Beteiligungs, GmbH	Holding company	Germany	100.0%	27.4%	100.0%	27.4%
BES Finance, Ltd.	Financing vehicle	Cayman Islands	100.0%	27.4%	100.0%	27.4%
BES Investimento do Brasil, S.A.	Investment banking	Brazil	80.0%	21.9%	80.0%	21.9%
BES-Vida, Companhia de Seguros, S.A.	Insurance	Portugal	100.0%	27.4%	100.0%	27.4%
R Invest Ltda	Services provider	Brazil	-	-	100.0%	21.9%
R Consult Participações Ltda	Services provider	Brazil	-	-	100.0%	21.9%
BESA Valorização - Fundo de Investimento Imobiliário Fechado	Asset management - Real Estate funds	Angola	100.0%	15.3%	-	-
BES Securities do Brasil, S.A.	Brokerage house	Brazil	100.0%	21.9%	100.0%	21.9%
BESAACTIF - Sociedade Gestora de Fundos de Investimento S.A.	Asset management - Mutual funds	Angola	97.0%	18.1%	97.0%	17.4%
BESAACTIF Pensoes - Sociedade Gestora de fundos de Pensões, S.A.	Asset management - Pensions funds	Angola	97.0%	18.1%	97.0%	17.4%
BESPAR, SGPS, S.A.	Holding company	Portugal	73.6%	73.6%	73.6%	73.6%
BEST - Banco Electrónico de Serviço Total, S.A.	Internet banking	Portugal	75.0%	27.1%	75.0%	27.1%
BIC International Bank Ltd.	Commercial banking	Cayman Islands	100.0%	27.4%	100.0%	27.4%
Capital Mais - Assessoria Financeira, S.A.	Advisory services	Portugal	100.0%	24.7%	100.0%	24.6%
Caravela Balanced Fund	Investment Fund	Luxembourg	54.9%	15.1%	55.0%	15.0%
Caravela Defensive Fund	Investment Fund	Luxembourg	99.7%	27.4%	99.2%	27.1%
Clear Capital Group Limited	Holding company	United Kingdom	-	-	100.0%	18.7%
Clear Info-Analytics Private Ltd	Provides analytics support to UK research	India	100.0%	27.4%	100.0%	18.7%
COMINVEST - Sociedade de Gestão e Investimento Imobiliário S.A.	Real-estate	Portugal	100.0%	27.1%	49.0%	13.4%
Espírito Santo Investment	Services provider	Poland	100.0%	27.4%	100.0%	27.4%
ES - ARRENDAMENTO	Investment Fund	Portugal	100.0%	27.4%	100.0%	27.4%
ES Bankers (Dubai) Limited	Commercial banking	Dubai	95.0%	95.0%	95.0%	95.0%
ES Financial Services, Inc.	Brokerage house	USA	100.0%	27.4%	100.0%	27.4%
ES Recuperação de Crédito, ACE	Debt collection	Portugal	100.0%	27.2%	100.0%	27.1%
Espírito Santo Securities India Private Limited	Brokerage house	India	75.0%	20.6%	75.0%	20.5%
ES Tech Ventures, S.G.P.S., S.A.	Holding company	Portugal	100.0%	27.4%	100.0%	27.4%
ES Ventures - Sociedade de Capital de Risco, S.A.	Venture capital	Portugal	100.0%	27.4%	100.0%	27.4%
ESAF - Espírito Santo Activos Financeiros, S.G.P.S., S.A.	Holding company	Portugal	90.0%	24.7%	90.0%	24.6%
ESAF - Espírito Santo Participações Internacionais SGPS, S.A.	Holding company	Portugal	100.0%	24.7%	100.0%	24.6%
ESAF - International Distributors Associates, Ltd.	Distribution company	British Virgin Islands	100.0%	24.7%	100.0%	24.6%
ESFG International Ltd	Financing vehicle	Cayman Islands	91.0%	91.0%	100.0%	100.0%
ESGEST - Esp. Santo Gestão Instalações, Aprov. e Com., S.A.	Shared services	Portugal	100.0%	27.4%	100.0%	27.4%
Espírito Santo Activos Financieros, S.A.	Asset management	Spain	100.0%	26.1%	100.0%	26.0%
ES Investment Advisors, Inc.	Consultancy	USA	100.0%	27.4%	100.0%	27.4%
Espírito Santo Bank (Panama), S.A.	Commercial banking	Panama	100.0%	100.0%	100.0%	100.0%
Espírito Santo Bank, Inc.	Commercial banking	USA	100.0%	27.4%	100.0%	27.4%
Espírito Santo Capital - Sociedade de Capital de Risco, S.A.	Venture capital	Portugal	100.0%	27.4%	100.0%	27.4%
Espírito Santo Concessões, SGPS, S.A.	Holding company	Portugal	71.7%	19.7%	71.7%	19.6%
Esconcessions Spain Holding BV	Holding company	Holland	100.0%	19.7%	-	-
ES Concessions International Holding, BV	Holding company	Holland	100.0%	19.7%	100.0%	19.6%
ES Concessions Latam Holding BV	Holding company	Holland	-	-	100.0%	19.6%
ES Consultancy (Singapore) Ltd	Consultancy	Singapore	-	-	100.0%	100.0%
Espírito Santo Contact Center, Gestão de Call Centers, S.A.	Call center services	Portugal	100.0%	67.8%	100.0%	67.7%
Espírito Santo e Comercial de Lisboa Inc.	Representation office	USA	-	-	100.0%	27.4%
Espírito Santo Financial (Portugal), SGPS, S.A.	Holding company	Portugal	100.0%	100.0%	100.0%	100.0%
Espírito Santo Financière, S.A.	Holding company	Luxembourg	100.0%	100.0%	100.0%	100.0%
Espírito Santo Fundo de Pensões, S.A.	Asset management - Pensions funds	Portugal	100.0%	24.7%	100.0%	24.6%
Espírito Santo Fundos de Investimentos Imobiliários, S.A.	Asset management - Real Estate funds	Portugal	100.0%	24.7%	100.0%	24.6%
Espírito Santo Fundos de Investimentos Mobiliários, S.A.	Asset management - Mutual funds	Portugal	100.0%	24.7%	100.0%	24.6%
Espírito Santo Gestão de Patrimónios, S.A.	Asset management	Portugal	100.0%	24.7%	100.0%	24.6%
ES Eurobond	Investment Fund	Luxembourg	-	-	52.8%	14.4%
Espírito Santo Gestión, S.A. S.G.I.I.C.	Asset management	Spain	100.0%	26.1%	100.0%	26.0%
Espírito Santo Informatica, ACE	Shared services	Portugal	100.0%	38.8%	100.0%	38.8%
Espírito Santo International Management, S.A.	Asset management - Mutual funds	Luxembourg	99.8%	24.6%	99.8%	24.6%
Espírito Santo Investment Holding Limited	Holding company	United Kingdom	100.0%	27.4%	68.4%	18.7%
Espírito Santo Investimentos, S.A.	Holding company	Brazil	100.0%	27.4%	100.0%	27.4%

(Amounts expressed in thousands of euro, except when indicated)

Subsidiaries

			31.12.2013		31.12.2012	
	Activity	Location	Voting interest	Economic interest	Voting interest	Economic interest
Espírito Santo Investments PLC	Brokerage house	Ireland	100.0%	27.4%	100.0%	27.4%
Espírito Santo Pensiones, S.G.F.P., S.A.	Assets management - Pensions funds	Spain	100.0%	26.1%	100.0%	26.0%
ES Plano Dinâmico	Investment Fund	Portugal	97.8%	26.8%	98.2%	26.8%
ES Rendimento Dinâmico	Investment Fund	Portugal	-	-	68.9%	18.9%
Espírito Santo Prestação de Serviços, ACE2	Shared services	Portugal	99.0%	34.2%	100.0%	34.5%
Espírito Santo Representações, Ltda	Representation office	Brazil	100.0%	27.4%	100.0%	27.4%
Espírito Santo Servicios, S.A.	Insurance	Spain	100.0%	27.4%	100.0%	27.3%
Espírito Santo Serviços Financeiros Distribuição de Títulos e V.M., S.A.	Brokerage house	Brazil	100.0%	21.9%	99.2%	21.7%
Espírito Santo, PLC	Non-bank finance company	Ireland	100.0%	27.4%	100.0%	27.3%
Espírito Santo Vanguarda, SL	Services provider	Spain	100.0%	27.4%	100.0%	27.3%
Espírito Santo Wealth Europe S.A.	Asset management	Luxembourg	100.0%	100.0%	100.0%	100.0%
ESSI Comunicações, SGPS, S.A.	Holding company	Portugal	-	-	100.0%	27.4%
ESSI Investimentos, SGPS, S.A.	Holding company	Portugal	100.0%	27.4%	100.0%	27.4%
ESSI, SGPS, S.A.	Holding company	Portugal	100.0%	27.4%	100.0%	27.4%
Esumédica - Prestação de Cuidados Médicos, S.A.	Health care	Portugal	100.0%	100.0%	100.0%	100.0%
Execution Holding Limited	Holding company	United Kingdom	-	-	100.0%	18.7%
Execution Noble & Company Limited	Advisory on investments	United Kingdom	100.0%	27.4%	100.0%	18.7%
Execution Noble (Hong Kong) Limited	Broker Dealer	China	100.0%	27.4%	100.0%	18.7%
Execution Noble Holdings LLC	Holding Company	USA	-	-	100.0%	18.7%
Execution Noble Limited	Broker Dealer	United Kingdom	100.0%	27.4%	100.0%	18.7%
Execution Noble Research Limited	No activity	United Kingdom	100.0%	27.4%	100.0%	18.7%
FI Multimercado Treasury	Investment Fund	Brazil	100.0%	21.9%	100.0%	21.9%
Fundo BES Absolute Return	Investment Fund	Brazil	98.8%	21.7%	49.6%	11.9%
Bes Fundo de Investimento Multimercado Moderado	Investment Fund	Brazil	100.0%	21.9%	66.5%	15.3%
Fimes Oriente	Investment Fund	Portugal	100.0%	27.4%	100.0%	27.4%
Fiitptrell VIII S.A.	Ventures Turism Development	Portugal	10.0%	2.7%	-	-
Fundo de Investimento Imobiliário Fechado Corpus Christi	Investment Fund	Portugal	100.0%	100.0%	97.1%	97.1%
Fundo de Capital de Risco - BES PME Capital Growth	Venture capital fund	Portugal	100.0%	27.4%	100.0%	27.4%
Fundo de Capital de Risco - ES Ventures II	Venture capital fund	Portugal	66.0%	18.1%	65.8%	22.1%
Fundo de Capital de Risco - ES Ventures III	Venture capital fund	Portugal	60.9%	16.7%	61.5%	20.8%
Fundo FCR PME / BES	Venture capital fund	Portugal	55.1%	15.1%	55.1%	15.1%
Fundo de Gestão de Patrimonio Imobiliário - FUNGEPI - BES	Real Estate Fund	Portugal	60.3%	16.5%	82.3%	22.5%
Fundo de Gestão de Patrimonio Imobiliário - FUNGEPI - BES II	Real Estate Fund	Portugal	95.3%	26.1%	81.1%	22.2%
Fundo de Gestão de Patrimonio Imobiliário	Real Estate Fund	Portugal	97.3%	26.7%	97.3%	26.6%
Gespar Participações, Ltda	Holding company	Brazil	100.0%	21.9%	100.0%	21.9%
Imbassai Participações, S.A.	Holding company	Brazil	100.0%	27.4%	-	-
Imogestão – Fundo de Investimento Imobiliário Fechado	Investment Fund	Portugal	100.0%	27.4%	-	-
IMOINVESTIMENTO - Fundo de Investimento Imobiliário Fechado	Investment Fund	Portugal	100.0%	27.4%	-	-
IMOPRIME - Fundo de Investimento Imobiliário Fechado	Investment Fund	Portugal	76.3%	53.9%	48.5%	48.5%
Invesfundo VII – Fundo de Investimento Imobiliário Fechado	Investment Fund	Portugal	95.9%	26.3%	-	-
KeySpace Hungary Kft	Real-estate	Hungary	-	-	51.0%	51.0%
Lírios Investimentos Imobiliários, Ltda	Real-estate	Brazil	100.0%	27.4%	-	-
Lusitania Capital S.A.P.I. de C.V., SOFOM, E.N.R.	Holding Company	Mexico	100.0%	27.4%	-	-
Marignan Gestion S.A.	Asset Management	France	100.0%	56.5%	100.0%	56.5%
Noble Advisory India Private Ltd	Provides analytics support to Group research	India	100.0%	27.4%	99.9%	18.7%
Noble Financial Holdings Limited	Holding Company	United Kingdom	-	-	100.0%	18.7%
Noble Fund Advisers Limited	Fund management activities	United Kingdom	-	-	100.0%	18.7%
Noble Group Holdings Limited	Holding Company	Man Island	-	-	100.0%	18.7%
Noble Group Limited	Holding Company	United Kingdom	-	-	100.0%	18.7%
Noble Venture Finance General Partner Limited	General partner for fund	Jersey Islands	-	-	100.0%	18.7%
OBLOG Consulting S.A.	Software development	Portugal	66.6%	18.3%	66.6%	18.2%
Orey Reabilitação Urbana	Investment Fund	Portugal	77.3%	21.2%	77.3%	21.1%
BESV Courtage S.A.	Investment company	France	100.0%	56.5%	99.9%	56.4%
Parsuni - Sociedade Unipessoal, SGPS	Holding company	Portugal	100.0%	27.4%	100.0%	27.4%
PARTRAN SGPS, S.A.	Holding company	Portugal	100.0%	100.0%	100.0%	100.0%
Praça do Marquês - Serviços Auxiliares, S.A.	Real-estate	Portugal	100.0%	27.4%	100.0%	27.4%
Prediloc Capital - Fundo de Investimento Imobiliário Fechado	Investment Fund	Portugal	100.0%	27.4%	-	-
Righthour S.A.	Services provider	Portugal	100.0%	27.4%	-	-
Quinta dos Cónegos- Sociedade Imobiliária, S.A.	Real-estate	Portugal	100.0%	41.2%	100.0%	41.2%
SEGUROS LOGO S.A.	Insurance	Portugal	100.0%	100.0%	100.0%	100.0%
SES Iberia, S.A.	Asset management	Spain	50.0%	13.7%	50.0%	13.7%
SLMB - Société Lyonnaise de Marchands de Biens	Real-estate	France	99.9%	56.5%	99.8%	56.4%
Société Civile Immobilière du 45 Avenue Georges Mandel	Real-estate	France	100.0%	50.0%	100.0%	49.9%
Tagide Properties, Inc.	Real-estate	USA	100.0%	27.4%	100.0%	27.4%
TRANQUILIDADE - Companhia de Seguros Tranquilidade, S.A.	Insurance	Portugal	100.0%	100.0%	100.0%	100.0%
Tranquilidade CAS (Angola)	Insurance	Angola	70.0%	52.2%	49.0%	49.0%
Tranquilidade Moçambique Companhia de Seguros, S.A.	Insurance	Moçambique	100.0%	100.0%	100.0%	100.0%
Tranquilidade Moçambique Companhia de Seguros Vida, S.A.	Insurance	Moçambique	100.0%	100.0%	100.0%	100.0%
T-VIDA, Companhia de Seguros, S.A.	Insurance	Portugal	100.0%	100.0%	100.0%	100.0%
UCH Investimentos Imobiliários e Hoteleiros, Ltda	Real-estate	Brazil	100.0%	27.4%	-	-
UCS Participações e Investimentos, Ltda	Real-estate	Brazil	100.0%	27.4%	-	-
URI Investimentos Imobiliários, Ltda	Real-estate	Brazil	100.0%	27.4%	-	-

(Amounts expressed in thousands of euro, except when indicated)

Associates

			31.12.2013		31.12.2012	
	Activity	Location	Voting interest	Economic interest	Voting interest	Economic interest
Adepa Global Services	Fund administration	Luxembourg	40.0%	40.0%	40.0%	40.0%
Advance Ciclone Systems, S.A.	Treatment, elimination of inert residues	Portugal	40.0%	6.7%	32.0%	6.7%
Ascendi Douro - Estradas do Douro Interior, S.A.	Motorway concession	Portugal	-	-	20.0%	5.1%
Apolo Films, S.L.	Entertainment	Spain	-	-	25.1%	6.9%
Ascendi Group, S.G.P.S, S.A.	Motorway concession	Portugal	40.0%	7.9%	40.0%	7.8%
Ascendi Pinhal Interior - Estradas do Pinhal Interior S.A.	Motorway concession	Portugal	20.0%	5.1%	20.0%	5.1%
Consecionaria Autopista Perote-Xalapa, S.A.CV	Motorway concession	Mexico	-	-	20.0%	3.9%
Autovia de los Viñedos S.A.	Motorway concession	Spain	50.0%	9.8%	50.0%	9.8%
Banco Delle Tre Venezie, Spa	Commercial banking	Italy	23.8%	9.3%	23.8%	9.3%
BES, Companhia de Seguros, S.A.	Insurance	Portugal	50.0%	31.9%	50.0%	31.8%
BIO-GENESIS	Holding company	Brazil	29.9%	5.4%	29.9%	6.6%
BRB Internacional, S.A.	Entertainment	Spain	-	-	25.0%	6.8%
Coporgest, S.A.	Holding company	Portugal	25.0%	6.9%	25.0%	6.8%
Coreworks-Proj. Circuito Sist. Elect., S.A.	IT Services	Portugal	32.4%	5.9%	32.4%	7.2%
Dassa Investments S.A.	Holding company	Luxembourg	-	-	48.9%	48.9%
Domática - Electrónica e Informática, S.A.	IT Services	Portugal	29.4%	4.9%	23.6%	4.9%
2BCapital, S.A.	Venture capital	Brazil	50.0%	12.3%	50.0%	12.3%
2BCapital Luxemburg S.C.A. SICAR	Venture capital	Luxembourg	47.2%	16.7%	47.2%	16.6%
2BCapital Luxemburg General Partners Sarl (c)	Fund management activities	Luxembourg	100.0%	12.3%	100.0%	12.3%
Edenred Portugal, SA	Services provider	Portutal	50.0%	13.7%	-	-
Empark - Aparcamientos y Servicios, S.A.	Management of parking slots	Spain	22.2%	4.4%	22.2%	4.4%
ENKROTT S.A.	Water management and treatment	Portugal	30.0%	4.5%	30.0%	4.5%
ESEGUR - Empresa de Segurança, S.A.	Security	Portugal	44.0%	12.1%	44.0%	12.0%
Espírito Santo International Asset Management Ltd.	Holding company	British Virgin Islands	49.0%	12.1%	49.0%	12.1%
Espírito Santo Saúde SGPS, S.A.	Holding company	Portugal	42.9%	32.0%	42.9%	32.0%
Europ Assistance - Comp. Portuguesa Seguros Assistência, S.A.	Insurance	Portugal	47.0%	47.0%	47.0%	47.0%
SCA Mandel Partners	Project finance	France	49.0%	27.2%	49.0%	27.2%
Espírito Santo Ventures Inovação e Internacionalização	Venture capital fund	Portugal	50.0%	13.7%	50.0%	13.7%
Fundo Bem Comum - Fundo de Capital de Risco	Venture capital fund	Portugal	20.0%	5.5%	20.0%	5.5%
Fundo Espírito Santo IBERIA I	Venture capital fund	Portugal	45.9%	12.6%	38.7%	10.6%
Global Active - Gestão Part. Soc., SGPS, S.A.	Holding company	Portugal	44.7%	8.1%	44.7%	9.9%
Goupe CFCA SAS	Holding company	France	29.9%	16.9%	29.9%	16.9%
HLC - Centrais de Cogeração, S.A.	Services provider	Portugal	24.5%	6.7%	24.5%	6.7%
Ijar Leasing Algerie SPA	Leasing	Algeria	35.0%	9.6%	35.0%	9.6%
IMOCRESCENTE - Fundo de Investimento Imobiliário Fechado (a)	Investment Fund	Portugal	48.9%	48.9%	48.9%	48.9%
LOCARENT - Companhia Portuguesa de Aluguer de Viaturas, S.A.	Renting	Portugal	50.0%	13.7%	50.0%	13.7%
MCO2 - Sociedade Gestora de Fundos des Investimento Mobiliário SA	Investment Fund	Portugal	25.0%	6.9%	25.0%	6.8%
MMCI - Multimédia, S.A.	Holding company	Portugal	49.0%	7.4%	49.0%	7.4%
Mobile World - Comunicações, S.A.	Telecommunication	Portugal	49.0%	7.4%	49.0%	7.4%
Moza Banco S.A.	Commercial banking	Mozambique	49.0%	13.4%	25.1%	6.9%
Multipessoal Recursos Humanos - SGPS, S.A.	Holding company	Portugal	22.5%	6.2%	22.5%	6.2%
Multiwave Photonics, S.A.	IT Services	Portugal	20.8%	3.8%	20.8%	4.6%
Nanium, S.A.	Production of Semiconductors	Portugal	41.1%	11.3%	41.1%	11.2%
Nutrigreen, S.A.	Services provider	Portugal	20.0%	3.3%	20.0%	4.2%
Outsystems, S.A.	IT Services	Portugal	29.3%	5.3%	29.3%	6.5%
Palexpo - Imagem Empresarial, S.A. (formerly Cortinovador)	Furniture manufacture	Portugal	49.5%	7.5%	49.5%	7.5%
Polish Hotel Capital SP	Services provider	Poland	-	-	33.0%	9.0%
Prosport - Com. Desportivas, S.A.	Sporting goods trading	Spain	-	-	25.0%	6.8%
RODI SINKS & IDEAS, S.A.	Metal Industry	Portugal	35.4%	6.8%	35.4%	6.8%
Salgar Investments S.L.	Services provider	Spain	50.4%	12.5%	41.7%	11.4%
Sousacamp, SGPS, S.A.	Holding company	Portugal	39.1%	7.1%	39.1%	8.6%
Synergy industry and technology S.A.	Holding company	Spain	26.0%	7.1%	26.0%	7.1%
TLCI 2 - Soluções Integrades de Telecommunicações, S.A.	Telecommunication	Portugal	49.0%	7.4%	49.0%	7.4%
UNICRE - Instituição Financeira de Crédito, S.A. (b)	Financial credit institution	Portugal	17.5%	4.8%	17.5%	4.8%
Watson Brown HSM Limited	Mechanochemistry company	United Kingdom	35.9%	6.0%	35.9%	7.5%
Windpart Lda	Holding company	Portugal	20.0%	5.5%	-	-
Ydreams - Informatica, S.A.	IT Services	Portugal	48.0%	8.7%	48.0%	10.6%
Yunit Serviços, S.A. (formely PT Prime Tradecom)	Management of internet portals	Portugal	33.3%	9.1%	33.3%	9.1%

(a) Although the Group's voting interest is less than 50%, these companies are fully consolidated, as the Group controls its activities.
(b) Although the Group's voting interest is less than 20%, the Group exercises a significant influence over these companies.
(c) Although the Group's voting interest is more than 50%, these companies are not controlled by the Group, but the Group exercises a significant influence over them.

Applying SIC 12 as described in Note 2.2, the Group consolidation scope includes, as at 31 December 2013 and 2012, the following special purposes entities:

	31.12.2013				
	Established	Headquartered	Activity	% economic interest	Consolidation method
Lusitano SME No.1 plc (*)	2006	Ireland	Special Purpose Entity	100%	Full consolidation
Lusitano Mortgages No.6 plc (*)	2007	Ireland	Special Purpose Entity	100%	Full consolidation
Lusitano Project Finance No.1 FTC (*)	2007	Portugal	Special Purpose Entity	100%	Full consolidation
Lusitano Mortgages No.7 plc (*)	2008	Ireland	Special Purpose Entity	100%	Full consolidation
Fundes	2008	Portugal	Special Purpose Entity	99.30%	Full consolidation
Lusitano Leverage Finance No. 1 BV(*)	2010	Netherland	Special Purpose Entity	100%	Full consolidation
Lusitano Finance No.3(*)	2011	Portugal	Special Purpose Entity	100%	Full consolidation
IM BES Empresas 1 (*)	2011	Spain	Special Purpose Entity	100%	Full consolidation
CLN Magnolia Finance 2038	2008	Ireland	Special Purpose Entity	100%	Full consolidation

	31.12.2012				
	Established	Headquartered	Activity	% economic interest	Consolidation method
Lusitano SME No.1 plc (*)	2006	Ireland	Special Purpose Entity	100%	Full consolidation
Lusitano Mortgages No.6 plc (*)	2007	Ireland	Special Purpose Entity	100%	Full consolidation
Lusitano Project Finance No.1 FTC (*)	2007	Portugal	Special Purpose Entity	100%	Full consolidation
Lusitano Mortgages No.7 plc (*)	2008	Ireland	Special Purpose Entity	100%	Full consolidation
Fundes	2008	Portugal	Special Purpose Entity	99.10%	Full consolidation
Lusitano Leverage Finance No. 1 BV(*)	2010	Netherland	Special Purpose Entity	100%	Full consolidation
Lusitano Finance No.3(*)	2011	Portugal	Special Purpose Entity	100%	Full consolidation
IM BES Empresas 1 (*)	2011	Spain	Special Purpose Entity	100%	Full consolidation
CLN Magnolia Finance 2038	2008	Ireland	Special Purpose Entity	100%	Full consolidation

(*) Entities set-up in the scope of securitisation transactions (See Note 50).

As at 31 December 2013 and 2012 the consolidation of these entities had the following main impacts on the consolidated balance sheet:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Deposits with banks	173 426	195 586
Other financial assets at fair value through profit and loss	11 204	71 651
Loans and advances to customers (net of impairment)	3 253 477	3 803 343
Debt securities issued	615 201	703 797

The main changes in the Group structure that occurred during 2013 are highlighted as follows:

— Subsidiaries

- In March 2013 was set-up the company Righthour, entirely held by BES PME Capital Growth fund and in April 2013 this company acquired 100% of the share capital of Imbassaí Participações, S.A., which from this date was included in the consolidation perimeter;

- In April 2013, ESSI SGPS, S.A. acquired 31.6% of Espírito Santo Investment Holding Limited for an amount of 17 125 thousand pounds, holding since this date 100% of the company's share capital;

- In May 2013, ESSI SGPS, S.A. subscribed integrally the capital increase of Espírito Santo Investment Holding Limited in the amount of 10 000 thousand pounds;

- In July 2013, took place the merger of R Invest Ltda and R Consult Participações Ltda into Espírito Santo Serviços Financeiros DTVM;

- In August 2013, took place the merger of ESSI Comunicações, S.A. into Banco Espírito Santo de Investimento, S.A..

— Associates (see Note 33)

- In June 2013, following the sale of the business associated with BES À La Card meal banking card, the Group acquired a 50% interest in Edenred Portugal, S.A., this company being currently included in the consolidated financial statements under the equity method. The acquisition cost, amounting to euro 928 thousand, was determined based on the fair value of the business transferred net of the elimination of the unrealised profit in the extend of BES interest in Edenred;

- As at 30 June 2013, BES África acquired 23.9% of Moza Banco share capital by an amount of euro 24 856 thousand, becoming to hold 49% of this associate. The acquisition generated an additional goodwill of euro 16 872 thousand. Following this transaction total goodwill amounts to euro 21 065 thousand and is accounted under associates;

- In June 2013, ES Concessões sold to Ascendi Group the participation it held in Concessionaria Autopista Perote-Xalapa;

- In December 2013, Banco Espírito Santo and Espírito Santo Capital, Sociedade de Capital de Risco sold its shareholdings in Apolo Films, S.L., BRB International and Prosport – Comercializaciones Desportivas, S.A..

The main changes in the Group structure that occurred during 2012 are highlighted as follows:

— Subsidiaries

- In April 2012, ESFG exchanged 2.2% of its direct holding in BES against 6.2% of BESPAR. This operation had no effect on ESFG economic interest in BES (see Note 55);

- In May 2012, BES acquired an additional 50% of the capital of BES Vida by an amount of euro 225 000 thousand, becoming to hold the total share capital of the company and started to consolidate this entity under the full consolidation method (see Note 55);

- Following the acquisition of control of BES Vida in May 2012, the Group acquired an additional interest of 5% in ES Saúde SA;

- In the second semester of 2012, Tranquilidade sold the participation it held in Pastor Vida generating a gain in the amount of euro 11 206 thousand (see Note 55);

- In November 2012, BES acquired participation units in the real estate funds, Fungepi, Fungere and Imoinvestimento, and started to consolidate those entities under the full consolidation method;

- During 2012, the Group acquired an additional interest of 0.86% of the share capital of BES through the acquisition in the market of 29 510 581shares (see Note 55);

- In November 2012, following (i) the acquisition by Rio Forte Investments, S.A. of an additional 19.5% stake in ES Saúde; (ii) the shareholders' agreement established between Rio Forte and ESFG; and (iii) the sale by ESFG to Rio Forte of a call option over 5.5% of ES Saúde share capital plus 1 share, currently exercisable; ESFG has lost control over ES Saúde. Consequently, this entity is no longer fully consolidated by ESFG, being classified as an associate (see Note 33 and Note 55).

— Associates (see Note 33)

- In April 2012, ES Capital acquired 42.99% of 2BCapital Luxembourg S.C.A SICAR for the amount of euro 854 thousand. In May 2012, following the capital increase of the company, ES Capital invested an additional euro 15 619 thousand;

- In June 2012, ES Concessões transferred its shareholding in SCUTVIAS – Autoestradas da Beira Interior, SA and Portvias – Portagem de Vias, SA to Ascendi Group, SGPS, SA, this operation generated a loss in the amount of euro 2 170 thousand;

- In December 2012, BESI sold the participation it held in Polish Hotel Company, Sp, generating a gain in the amount of euro 2 509 thousand;

- Following the loss of control over ES Saúde in November 2012, this entity has been reclassified as an associate (see Note 33 and Note 55).

During the years 2013 and 2012, the movements on acquisitions, disposals and other investments in subsidiaries and associated companies are as follows:

	31.12.2013							
	Acquisitions			Disposals / Liquidations / Business combination				
	Acquisition price	Other investments [(a)]	Total	Sale price	Other reimbursements	Total	Gain/(loss) on disposal/ liquidation/ business combination	Net of non controlling interest
				(in thousands of euro)				
Subsidiaries								
BES shares	36 260	-	36 260	(33 283)	-	(33 283)	-	-
BES África	-	35 000	35 000	-	-	-	-	-
BES Açores	-	654	654	-	-	-	-	-
ES Tech Ventures	-	6 500	6 500	-	-	-	-	-
Righour	50	-	50	-	-	-	-	-
Fundo BES Absolute Return	-	-	-	-	(3)	(3)	-	-
Fundo FIM BES Moderado	-	-	-	-	(27)	(27)	-	-
Espírito Santo Securities India	-	1 753	1 753	-	-	-	-	-
Espírito Santo Investment Holding, Limited	20 281	11 714	31 995	-	-	-	-	-
Lusitania Capital, S.A.P.I. de C.V., SOFOM, E.N.R	-	59	59	-	-	-	-	-
Espírito Santo Serviços Financeiros DTVM, SA	207	1 842	2 049	-	-	-	-	-
BES Activos Financeiros, Lda	-	614	614	-	-	-	-	-
R Consult Participações, Lda	-	-	-	-	(143)	(143)	-	-
R Invest, Lda	-	-	-	-	(23)	(23)	-	-
ESSI Comunicações SGPS, SA	-	-	-	-	(50)	(50)	-	-
FI Multimercado Treasury	58	-	58	-	-	-	-	-
	56 856	58 136	114 992	(33 283)	(246)	(33 529)	-	-
Associates								
Moza Banco	-	24 916	24 916	-	-	-	-	-
DASSA	-	-	-	(5 026)	-	(5 026)	3	3
Adepa Global Services	250	-	250	-	-	-	-	-
Banca delle Tre Venezie	-	690	690	-	-	-	-	-
Autopista Perote Xalapa	-	-	-	(60 201)	-	(60 201)	-	-
Domática	-	350	350	-	-	-	-	-
BRB Internacional	-	-	-	(10 659)	-	(10 659)	-	-
Apolo Films	-	-	-	(791)	-	(791)	-	-
Prosport	-	-	-	(274)	-	(274)	-	-
Espírito Santo Iberia I	958	-	958	-	(73)	(73)	-	-
Edenred	8 113	-	8 113	(3 129)	-	(3 129)	-	-
Ascendi Douro Interior	-	-	-	-	(10)	(10)	-	-
Multipessoal	-	100	100	-	-	-	-	-
	9 321	26 056	35 377	(80 080)	(83)	(80 163)	3	3
	66 177	84 192	150 369	(113 363)	(329)	(113 692)	3	3

(a) Capital increases and loans to companies

	31.12.2012							
	Acquisitions			Disposals / Liquidations / Business combination				
	Acquisition price	Other investments (*)	Total	Sale price	Other reimbursements	Total	Gain/(loss) on disposal/ liquidation/ business combination	Net of non controlling interest
				(in thousands of euro)				
Subsidiaries								
BES Vida (*)	225 000	-	225 000	-	-	-	87 273	206 607
ES Saude	-	-	-	-	-	-	60 332	45 007
BES shares	71 666	-	71 666	(102 809)	-	(102 809)	-	-
BESPAR shares	38 300	-	38 300	-	-	-	-	-
Pastor-Vida	-	-	-	(40 072)	-	(40 072)	11 206	11 206
AOC	44	-	44	-	-	-	-	-
	335 010	-	335 010	(142 881)	-	(142 881)	158 811	262 820
Associated companies								
Moza Banco	-	2 991	2 991	-	-	-	-	-
Empark	-	-	-	-	(2 584)	(2 584)	-	-
Portvias	-	-	-	(1 067)	-	(1 067)	913	250
Scutvias	-	-	-	(49 783)	-	(49 783)	(3 083)	(843)
Ascendi Group	-	11 462	11 462	-	-	-	-	-
Coreworks	-	-	-	-	(286)	(286)	-	-
Sousacamp	-	-	-	-	(3 700)	(3 700)	-	-
Fin Solutia	-	-	-	(1 219)	-	(1 219)	(6)	(2)
2B Capital Luxembourg	854	15 619	16 473	-	-	-	-	-
Nova Figfort	-	-	-	(719)	-	(719)	-	-
Sopratutto Cafés	-	-	-	(1 334)	-	(1 334)	50	14
Ydreams	-	204	204	-	(711)	(711)	-	-
MCO2	113	1 175	1 288	-	-	-	-	-
MRN - Manutenção de Rodovias Nacionais, S.A.	-	-	-	-	(11)	(11)	-	-
Polish Hotel Company	-	-	-	(2 509)	-	(2 509)	2 509	686
SAGEFI	-	-	-	(3 250)	-	(3 250)	2 129	1 203
	967	31 451	32 418	(59 881)	(7 292)	(67 173)	2 512	1 308
	335 977	31 451	367 428	(202 762)	(7 292)	(210 054)	161 323	264 128

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1. Basis of preparation and statement of compliance

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002 from the European Council and Parliament, Espírito Santo Financial Group S.A. ("ESFG" or "the Company") is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

These consolidated financial statements as at and for the year ended 31 December 2013 were prepared in accordance with the IFRS effective and adopted by the EU until 31 December 2013. The accounting policies applied by the Group in the preparation of its consolidated financial statements as at 31 December 2013 are consistent with the ones used in the preparation of the consolidated financial statements as at and for the year ended 31 December 2012, except as referred to in Note 56, which describes the impact in the preparation of the Consolidated Financial Statements as at 31 December 2013, of the adoption by the Group of the accounting standards issued by IASB and IFRIC interpretations, effective since 1 January 2013. The accounting policies used by the Group in the preparation of these Consolidated Financial Statements, described in this Note, were modified accordingly. The adoption of these new standards and interpretations had no material effect in the Group's Consolidated Financial Statements.

The accounting standards and interpretations recently issued but not yet effective and that the Group has not yet adopted in the preparation of its financial statements can also be analysed in Note 56.

Moreover and as referred to in Note 1, the Group acquired, in May 2012, an additional 50% interest in BES Vida and the control over its activities. Therefore, from that date, BES Vida, which previously qualified as an associate and was included in the consolidated financial statements up to 2011 under the equity method, is being fully consolidated by the Group. Further details are provided in Note 55.

These consolidated financial statements are expressed in thousands of euro, except when indicated, and have been prepared under the historical cost convention, except for the assets and liabilities accounted at fair value, namely, derivative contracts, financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets, investment properties and recognised assets and liabilities that are hedged, in a fair value hedge, in respect of the risk that is being hedged.

The preparation of financial statements in conformity with IFRS requires the application of judgment and the use of estimates and assumptions by management that affects the process of applying the Group's accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

These consolidated financial statements were approved in the Board of Directors meeting held on 25 April 2014. These financial statements are subject to the shareholders approval on the General Assembly, to be held on 30 May 2014.

2.2. Basis of consolidation

These consolidated financial statements comprise the assets, liabilities, gains and losses of Espírito Santo Financial Group S.A. and its subsidiaries ("the Group"), and the results attributable to the Group from its associates.

These accounting policies have been consistently applied by the Group companies, during all the periods covered by the consolidated financial statements.

Subsidiaries

Subsidiaries are entities over which the Group exercises control. Control is presumed to exist when the Group owns more than one half of the voting rights. Additionally, control also exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity, so as to obtain benefits from its activities, even if its shareholding is equal or less than 50%. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Accumulated losses of a subsidiary are attributed proportionally to the owners of the parent and to the non-controlling interest even if this results in non-controlling interest having a deficit balance.

In a business combination achieved in stages (step acquisition) where control is obtained, the Group remeasures its previously held non-controlling interest in the acquiree at its acquisition date fair value and recognises the resulting gain or loss in the income statement when determining the respective goodwill. At the time of a partial sale, from which arises a loss of control of a subsidiary, any remaining non-controlling interest retained is remeasured to fair value at the date the control is lost and the resulting gain or loss is recognised against the income statement.

Associates

Associates are entities over which the Group has significant influence over the company's financial and operating policies but not its control. Generally when the Group owns more than 20% of the voting rights it is presumed that it has significant influence. However, even if the Group owns less than 20% of the voting rights, it can have significant influence through the participation in the policy-making processes of the associated entity or the representation in its executive board of directors.

Investments in associates are accounted for by the equity method of accounting from the date on which significant influence is transferred to the Group until the date that significant influence ceases. The book value of the investments in associates includes the value of the respective goodwill determined on acquisition and is presented net of impairment losses.

In a step acquisition that results in the Group obtaining significant influence over an entity, any previously held stake in that entity is remeasured to fair value through the income statement when the equity method is first applied.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, including any medium and long-term interest, the Group discontinues the application of the equity method, except when it has a legal or constructive obligation of covering those losses or has made payments on behalf of the associate.

Gains or losses on sales of shares in associate companies are recognised in the income statement even if that sale does not result in the loss of significant influence.

Special purpose entities ("SPE")

The Group consolidates certain special purpose entities ("SPE"), specifically created to accomplish a narrow and well defined objective, when the substance of the relationship with those entities indicates that they are controlled by the Group, independently of the percentage of the equity held.

The evaluation of the existence of control is made based on the criteria established by SIC 12 – Consolidation – Special Purpose Entities, which can be summarised as follows:

- In substance, the activities of the SPE are being conducted in accordance with the specific needs of the Group's business, so that the Group obtains the benefits from these activities;
- In substance the Group has the decision-making powers to obtain the majority of the benefits from the activities of the SPE;
- In substance, the Group has rights to obtain the majority of the benefits of the SPE, and therefore may be exposed to the inherent risks of its activities;
- In substance, the Group retains the majority of residual or ownership risks related to the SPE so as to obtain the benefits from its activities.

Investment funds managed by the Group

As part of the asset management activity, the Group manages investment funds on behalf of the holders of the participation units. The financial statements of these funds are not consolidated by the Group except in the cases where control is exercised over its activity based on the criteria established by SIC – 12. It is assumed that there is control when the Group owns more than 50% of the participation units.

Goodwill

Goodwill resulting from business combinations that occurred until 1 January 2004 was offset against reserves, according to the option granted by IFRS 1, adopted by the Group on the date of transition to the IFRS.

Goodwill resulting from business combinations that occurred from 1 January 2004 until 31 December 2009 was accounted under the purchase method. The cost of acquisition was measured as the fair value, determined at the acquisition date, of the assets and equity instruments given and liabilities incurred or assumed plus any costs directly attributable to the acquisition. Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of identifiable net assets, liabilities and contingent liabilities acquired.

For acquisitions on or after 1 January 2010, in accordance with IFRS 3 – Business Combinations, the Group measures goodwill as the fair value of the consideration transferred including the fair value of any previously held non-controlling interests in the acquire, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs are expensed as incurred.

At the acquisition date, the non-controlling interest is measured at their proportionate interest in the fair value of the net identifiable assets acquired and of the liabilities assumed, without the respective portion of goodwill. As a result, the goodwill recognised in these consolidated financial statements corresponds only to the portion attributable to the equity holders of the Company.

In accordance with IFRS 3 – Business Combinations, goodwill is recognised as an asset at its cost and is not amortised. Goodwill relating to the acquisition of associates is included in the book value of the investment in those associates determined using the equity method. Negative goodwill is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill recognised as an asset is reviewed annually, regardless of whether there is any indication of impairment. Impairment losses are recognised directly in the income statement.

The recoverable amount corresponds to the higher of the fair value less costs to sell and the respective value in use. In determining value in use, estimated futures cash flows are discounted using a rate that reflects market conditions, time value of money and business risks.

Transactions with non-controlling interest

Acquisitions of non-controlling interest, that did not result in a change in control, are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such a transaction. Any difference between the consideration paid and the amount of non-controlling interest acquired is accounted for as a movement in equity.

Similarly, sales of non-controlling interest and dilutions from which does not result a loss of control, are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss is recognised in the income statement. Any difference between the sale proceeds and the recognised amount of non-controlling interest in the consolidated financial statements is accounted for as a movement in equity.

Gains or losses on a dilution or on a sale of a portion of an interest in a subsidiary, from which results a loss of control, are accounted for by the Group in the income statement.

Foreign currency translation

The financial statements of each of the Group entities are prepared using their functional currency which is defined as the currency of the primary economic environment in which that entity operates. The consolidated financial statements are prepared in euro, which is ESFG's functional and presentation currency.

The financial statements of each of the Group entities that have a functional currency different from the euro are translated into euro as follows:

- Assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date;
- Income and expenses are translated into the functional currency at rates approximating the rates ruling at the dates of the transactions;
- The exchange differences resulting from the translation of the equity at the beginning of the year using the exchange rates at the beginning of the year and at the balance sheet date are accounted for against reserves net of deferred taxes. Similarly, regarding the subsidiaries and associates results, the exchange differences arising from the translation of income and expenses at the rates ruling at the dates of the transactions and at the balance sheet date are accounted for against reserves. When the entity is sold such exchange differences are recognised in the income statement as a part of the gain or loss on sale.

Balances and transactions eliminated in consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements, unless unrealised losses provide evidence of an impairment loss that should be recognised in the consolidated financial statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss.

2.3. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at the foreign exchange rates ruling at the dates the fair value was determined. The resulting exchange differences are accounted for in the income statement, except if related to equity instruments classified as available-for-sale, which are accounted for in equity, within the fair value reserve.

2.4. Derivative financial instruments and hedge accounting

Classification

Derivatives for risk management purposes include (i) hedging derivatives and (ii) derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss that were not classified as being hedging derivatives.

All other derivatives are classified as trading derivatives.

Derivatives traded in organized markets, namely futures and some options, are recognised as trading derivatives, being marked to market on a daily basis and the resulting gains or losses recognised directly in the income statement. Once the fair value changes on these derivatives are settled daily through the margin accounts held by the Group, these derivatives do not present any fair value on the balance sheet. The margin accounts are included under the caption Other assets and comprise the minimum collateral mandatory for the open positions.

Recognition and measurement

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

Fair values are obtained from quoted market prices, in active markets, if available or are determined using valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Hedge accounting

- ***Classification criteria***

Hedge accounting is used for derivative financial instruments designated as hedging instruments, provided the following criteria are met:

(i) At the inception of the hedge, the hedge relationship is identified and documented, including the identification of the hedged item and of the hedging instrument and the evaluation of the effectiveness of the hedge;
(ii) The hedge is expected to be highly effective, both at the inception of the hedge and on an ongoing basis;
(iii) The effectiveness of the hedge can be reliably measured, both at the inception of the hedge and on an ongoing basis;
(iv) For cash flows hedges, the cash flows are highly probable of occurring.

- ***Fair value hedge***

In a fair value hedge, the book value of the hedged asset or liability, determined in accordance with the respective accounting policy, is adjusted to reflect the changes in its fair value that are attributable to the risks being hedged. Changes in the fair value of the derivatives that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

- *Cash flow hedge*

When a derivative financial instrument is designated as a hedge of the variability in highly probable future cash flows, the effective portion of changes in the fair value of the hedging derivatives is recognised in equity. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in equity at that time is recognised in the income statement when the hedged transaction also affects the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss reported in equity is recognised immediately in the income statement and the hedging instrument is reclassified for the trading portfolio.

During the periods covered by these financial statements, the Group did not have any transactions classified as cash flow hedge.

Embedded derivatives

Derivatives that are embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

2.5. Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Group, which are not intended to be sold in the short term. Loans and advances to customers are recognised when cash is advanced to borrowers.

Loans and advances to customers are derecognised from the balance sheet when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Group has transferred the control over the assets.

Loans and advances to customers are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less impairment losses.

In accordance with the documented strategy for risk management, the Group contracts derivative financial instruments to manage certain risks of a portion of the loan portfolio, without applying, however, the provisions of hedge accounting as mentioned in Note 2.4. These loans are measured at fair value through profit or loss, in order to eliminate a measurement inconsistency resulting from measuring loans and derivatives for risk management purposes on different basis (accounting mismatch). This procedure is in accordance with the accounting policy for classification, recognition and measurement of financial assets at fair value through profit or loss, as described in Note 2.6.

Impairment

The Group assesses, at each balance sheet date, whether there is objective evidence of impairment within its loan portfolio. Impairment losses identified are recognised in the income statement and are subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

A loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when: (i) there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition and (ii) that event (or events) has an impact on the estimated future cash flows of the loan or of the loan portfolio, that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for each loan. In this assessment the Group uses the information that feeds the credit risk models implemented and takes into consideration the following factors:

- the aggregate exposure to the customer and the existence of non-performing loans;
- the viability of the customer's business model and its capability to trade successfully and to generate sufficient cash flow to service their debt obligations;
- the extent of other creditors' commitments ranking ahead of the Group;
- the existence, nature and estimated realisable value of collaterals;
- the exposure of the customer within the financial sector;
- the amount and timing of expected recoveries.

When loans have been individually assessed and no evidence of loss has been identified, these loans are grouped together on the basis of similar credit risk characteristics for the purpose of evaluating the impairment on a portfolio basis (collective assessment). Loans that are assessed individually and found to be impaired are not included in a collective assessment for impairment.

If an impairment loss is identified on an individual basis, the amount of the impairment loss to be recognised is calculated as the difference between the book value of the loan and the present value of the expected future cash flows (considering the recovery period), discounted at the original effective interest rate. The carrying amount of impaired loans is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract rules.

The changes in the recognised impairment losses attributable to the unwinding of discount are recognised as interest and similar income.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics, taking in consideration the Group's credit risk management process. Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Group and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group with the purpose of reducing any differences between loss estimates and actual loss experience.

When a loan is considered by the Group as uncollectible and an impairment loss of 100% was recognised, it is written off against the related allowance for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the loan impairment loss recognised in the income statement.

2.6. *Other financial assets*

Classification

The Group classifies its other financial assets at initial recognition in the following categories:

- ***Financial assets at fair value through profit or loss***

This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term or that are owned as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking and (ii) financial assets that are designated at fair value through profit or loss at inception.

The Group classifies, at inception, certain financial assets at fair value through profit or loss when:

- Such financial assets are managed, measured and their performance evaluated on a fair value basis;
- Such financial assets are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial assets contain an embedded derivative.

The structured products acquired by the Group corresponding to financial instruments containing one or more embedded derivatives meet the above mentioned conditions, and, in accordance, are classified under the fair value through profit or loss category.

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold until its maturity and that are not classified, at inception, as at fair value through profit or loss or as available-for-sale.

- *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.

Initial recognition, initial measurement and derecognition

Purchases and sales of: (i) financial assets at fair value through profit or loss, (ii) held-to-maturity investments and (iii) available-for-sale financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which case these transaction costs are directly recognised in the income statement.

The best evidence of the fair value of the instrument at inception is deemed to be the transaction price. However, in particular circumstances, the fair value of a financial instrument at inception, determined based on a valuation technique, may differ from the transaction price, namely due to the existence of a built-in fee, originating a day one profit.

The Group recognises in the income statement the gains arising from the built-in fee (day one profit), generated, namely, on the trading of derivative and foreign exchange financial products, considering that the fair value of these instruments at inception and on subsequent measurements is determined only based on observable market data and reflects the Group access to the wholesale market.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Group has transferred the control over the assets.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are included in the income statement in the period in which they arise.

Available-for-sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Foreign exchange differences arising from equity investments classified as available-for-sale are also recognised in equity, while foreign exchange differences arising from debt investments are recognised in the income statement. Interest, calculated using the effective interest rate method and dividends are recognised in the income statement.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method, net of any impairment losses recognised.

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities the Group establishes fair value by using (i) valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis and option pricing models and (ii) valuation assumptions based on market information.

Reclassifications between categories

The Group only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available-for-sale financial assets category to the held-to-maturity investments category, if it has the intention and ability to hold those financial assets until maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

Impairment

The Group assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for equity securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For held-to-maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate and are recognised in the income statement. The carrying amount of the impaired assets is reduced through the use of an allowance account. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For held-to-maturity investments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

If there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred, the cumulative loss recognised in equity – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is taken to the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the income statement up to the acquisition cost if the increase is objectively related to an event occurring after the impairment loss was recognised, except in relation to equity instruments, in which case the reversal is recognised in equity.

2.7. Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') at a fixed price or at the sales price plus a lender's return are not derecognised. The corresponding liability is included in amounts due to banks or to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities purchased under agreements to resell ('reverse repos') at a fixed price or at the purchase price plus a lender's return are not recognised, being the purchase price paid recorded as loans and advances to banks or customers, as appropriate. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent under lending agreements are not derecognised being classified and measured in accordance with the accounting policy described in Note 2.6. Securities borrowed under borrowing agreements are not recognised in the balance sheet.

2.8. Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Non-derivatives financial liabilities include deposits from banks and due to customers, loans, debt securities, subordinated debt and short sales. Preference shares issued are considered to be financial liabilities when the Group assumes the obligation of reimbursement and/or to pay dividends.

The financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method, except for short sales and financial liabilities designated at fair value through profit or loss, which are measured at fair value.

The Group designates, at inception, certain financial liabilities as at fair value through profit or loss when:

- Such financial liabilities are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial liabilities contain embedded derivatives.

The structured products issued by the Group meet the above mentioned conditions and, in accordance, are classified under the fair value through profit or loss category.

The fair value of quoted financial liabilities is based on the current price. In the absence of a quoted price, the Group establishes the fair value by using valuation techniques based on market information, including the own credit risk of the issuer.

If the Group repurchases debt issued, it is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

2.9. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee is issued. Subsequently financial guarantees are measured at the higher of (i) the fair value recognised on initial recognition or (ii) any financial obligation arising as a result of the guarantees at the balance sheet date. Any increase in the liability relating to guarantees is taken to the income statement.

The financial guarantee contracts issued by the Group normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the time period of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Group, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

2.10. Equity instruments

An instrument is classified as an equity instrument when it does not contain a contractual obligation to deliver cash or another financial asset, independently from its legal form, being a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognised under equity as a deduction from the proceeds. Amounts paid or received related to acquisitions or sales of equity instruments are recognised in equity, net of transaction costs.

Distributions to holders of an equity instrument are debited directly to equity as dividends, when declared.

Preference shares issued are considered as equity instruments if the Group has no contractual obligation to redeem and if dividends, non cumulative, are paid only if and when declared by the Group.

2.11. Compound financial instruments

Non-derivative financial instruments that contain both a liability and an equity component (e.g. convertible bonds and bonds issued with warrants) are classified as compound financial instruments. For these instruments to be considered as compound financial instruments, the number of shares to be issued upon conversion is determined at the date of issue and does not vary with changes in their fair value. The liability component corresponds to the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the liability. The interest expense recognised in the income statement is calculated using the effective interest method.

2.12. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.13. Non-current assets held for sale

Non-current assets or disposal groups (groups of assets to be disposed of together and related liabilities that include at least a non-current asset) are classified as held for sale when their carrying amounts will be recovered principally through sale (including those acquired exclusively with a view to its subsequent disposal), the assets or disposal groups are available for immediate sale and is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is brought up to date in accordance with the applicable IFRS. Subsequently, these assets or disposal group are measured at the lower of their carrying amount or fair value less costs to sell, determined annually in accordance with the applicable IFRS.

In the scope of its activity, the Group incurs in the risk from failure of the borrower to repay all the amounts due. In case of loans and advances with mortgage collateral, the Group acquires the asset held as collateral in exchange for loans. In accordance with the requirements of *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (RGICSF), Portuguese banks are prevented, unless authorised by the Bank of Portugal, from acquiring property that is not essential to their daily operations (no. 1 of article 112 of RGICSF) being able to acquire, however, property in exchange for loans granted by the Group. This property must be sold within 2 years, period that may be extended by written authorization from the Bank of Portugal and in conditions to be determined by this authority (no. 114 of art of RGICSF).

(Amounts expressed in thousands of euro, except when indicated)

It is Group's objective to immediately dispose all property acquired in exchange for loans. This property is classified as non-current assets held-for-sale and is initially recognised at the lower of its fair value less costs to sell and the carrying amount of the loans. Subsequently, this property is measured at the lower of its carrying amount and the corresponding fair value less costs to sell and is not depreciated. Any subsequent write-down of the acquired property to fair value is recorded in the income statement.

Property valuations are performed in accordance with one of the following methodologies, which are applied in accordance with the specific situation of the asset:

a) Market Method
   The Market Comparison Criteria takes as reference transaction values of similar and comparable property to the property under valuation, obtained through market searching carried out in the zone.
b) Income Method
   Under this method, the property is valued based on the capitalization of its net income, discounted for the present moment, through the discounted cash-flows method.
c) Cost Method
   This method separates the value of property on its basic components: Urbane Ground Value and Urbanity Value; Construction value; and Indirect Costs Value.

The valuations are performed by independent specialized entities. The valuation reports are analysed internally with the gauging of processes adequacy, by experts.

2.14. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. At the transition date to IFRS, 1 January 2004, the Group elected to consider as deemed cost, the revalued amount of property and equipment as determined in accordance with previous accounting policies of the Group, which was broadly similar to depreciated cost measured under IFRS, adjusted to reflect changes in a specific price index. The value includes expenditure that is directly attributable to the acquisition of the items. In relation to the insurance activity, the Group decided to consider as deemed cost of its buildings for own use the fair value at transition date.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Number of years
Buildings	35 to 50
Improvements in leasehold property	10
Computer equipment	4 to 5
Furniture	4 to 10
Fixtures	5 to 12
Security equipment	4 to 10
Office equipment	4 to 10
Motor vehicles	4
Other equipment	5

When there is an indication that an asset may be impaired, IAS 36 requires that its recoverable amount is estimated and an impairment loss recognised when the net book value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is determined as the greater of its net selling price and value in use which is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the asset.

2.15. Investment properties

The Group classifies as investment property the property held to earn rentals or for capital appreciation or both. Investment property is recognised initially at cost, including transaction costs that are directly attributable expenditures, and subsequently at their fair value. Changes in the fair value determined at each balance sheet date are recognised in the income statement. Investment property is not amortised.

Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits in excess of the originally assessed standard of performance of the asset.

2.16. Intangible assets

The costs incurred with the acquisition, production and development of software are capitalised, as well as the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of their expected useful lives, which is usually between three to six years.

Costs that are directly associated with the development of identifiable specific software applications, and that will probably generate economic benefits beyond one year, are recognised as intangible assets. These costs include employee costs from the Group companies specialised in IT directly associated with the development of the referred software.

All remaining costs associated with IT services are recognised as an expense as incurred.

2.17. Leases

The Group classifies its lease agreements as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form, in accordance with IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Payments made under operating leases are charged to the income statement in the period to which they relate.

Finance leases

- *As lessee*

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of the asset leased, which is equal to the present value of outstanding lease instalments. Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the repayment of principal, which is deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

- *As lessor*

Assets leased out are recorded in the balance sheet as loans granted, for the amount equal to the net investment made in the leased assets. Interest included in instalments charged to customers is recorded as interest income, while repayments of principal, also included in the instalments, is deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

2.18. *Employee benefits*

Pensions

To cover the liabilities assumed by the Group within the framework stipulated by the ACT "Acordo Colectivo de Trabalho" and subsequent amendments resulting from the 3 tripartite agreements as described in Note 14 for the banking sector in Portugal and by the CCT "Contrato Colectivo de Trabalho" for the insurance sector in Portugal, pension funds were set up to cover retirement benefits, including widows and orphans benefits and disability for the entire work force and also health-care benefits for employees.

The pension liabilities and health care benefits are covered by funds that are managed by ESAF – Espírito Santo Fundos de Pensões, S.A., a Group's subsidiary.

The pension plans of the Group are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement are predefined and usually depend on factors such as age, years of service and level of salary.

The pension liability is calculated semi-annually by the Group, as at 31 December and 30 June for each plan individually, using the projected unit credit method, and reviewed annually by qualified independent actuaries. The discount rate used in this calculation was determined with reference to market rates associated with high-quality corporate bonds issues, denominated in the currency in which benefits will be paid and with a maturity similar to the expiry date of the plan obligations.

The Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest expense (income) includes interest cost on the defined benefit obligation net of a theoretical return on the plan assets, both calculated using the discount rate applied in the determination of the defined benefit obligation.

Remeasurements determined semi-annually and resulting from (i) actuarial gains and losses arising from the differences between actuarial assumptions used and real values obtained (experience adjustments) and from changes in the actuarial assumptions and (ii) gains and losses arising from the difference between theoretical return on plan assets and actual investment returns, are recognised in Other comprehensive income.

At each period, the Group recognises as a cost in the income statement an amount that comprises (i) the service cost, (ii) net interest expense (income), (iii) past service costs and (iv) the effect of settlement or curtailment occurred during the period.

ESFG and its subsidiaries make payments to the fund in order to maintain its solvency and to comply with the following minimum levels: (i) the liability with pensioners shall be totally funded at the end of each year, and (ii) the liability related to past services cost with employees in service shall be funded at a minimum level of 95%.

The Group assesses at each reporting date and for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

The Group provides to its banking employees health care benefits through a specific Social-Medical Assistance Service. This Social-Medical Assistance Service (SAMS) is an autonomous entity which is managed by the respective Union.

SAMS provides to its beneficiaries services and/or contributions on medical assistance expenses, diagnostics, medicines, hospital confinement and surgical operations, in accordance with its financing availability and internal regulations.

The annual contribution of the Group to SAMS amounts to 6.5% of the total annual remuneration of employees, including, among others, the holiday and Christmas subsidy.

The measurement and recognition of the Group's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above.

These benefits are covered by the Pension Fund which at present covers all responsibilities with pensions and health care benefits.

Long term service benefits

In accordance with the ACT "Acordo Colectivo de Trabalho" for the banking sector, BES Group has assumed the commitment to pay to current employees that achieve 15, 25 and 30 years of service within the Group, long-term service premiums corresponding, respectively, to 1, 2 and 3 months of their effective monthly remuneration earned at the date the premiums are paid.

At the date of early retirement or disability, employees have the right to a premium proportional to what they would earn if they remained in service until the next payment date.

These long term service benefits are accounted for by the Group in accordance with IAS 19 as other long-term employee benefits.

The liability with long term service benefits is calculated semi-annually, at the balance sheet date, by the Group using the projected unit credit method. The actuarial assumptions used are based on the expectations about future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described above for pensions.

In each period, the increase in the liability for long term service premiums, including actuarial gains and losses and past service costs is charged to the income statement.

Share based payments – Stock option plan

In 2008, ESFG set-up a stock option plan that allows certain employees to acquire ESFG shares, or alternatively to require a cash payment equivalent to the appreciation of ESFG share market price above the strike price.

The options granted to employees may be exercised after their first anniversary and during a ten year period.

This share based payment plan is within the scope of IFRS 2 – Share based payments and corresponds to a cash settlement share based payment.

The fair value of this benefit plan at inception, determined at its grant date, was taken to the income statement as staff costs over a period of one year. The recognised liability under the plan is re-measured at each balance sheet date, being the fair value changes recognised in the income statement under the caption staff costs.

Variable remuneration payment plan on financial instruments (PRVIF)

Following the recommendations of the Supervising and Regulatory authorities, on the BES shareholder's General Meeting, held in 6 April 2010 it was approved a new remuneration policy for BES Executive Committee members. This new remuneration policy is described in Note 14.

The component of the variable remuneration paid in cash is accounted for following IAS 19 – Employee benefits, in the period to which it relates.

The component of the variable remuneration paid with equity instruments is accounted for in accordance with IFRS 2 — Share based payments. The fair value of this benefit plan at inception, determined at its grant date, is taken to the income statement as staff costs over the vesting period. The recognised liability under the plan is re-measured at each balance sheet date, being the fair value changes recognised in the income statement.

Bonus to employee

In accordance with IAS 19 — Employee benefits, the bonus payment to employees are recognised in the income statement in the year to which they relate.

*2.19. **Income tax***

Income tax for the period comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Income tax recognised directly in equity relating to fair value re-measurement of available-for-sale financial assets and cash flow hedges is subsequently recognised in the income statement when gains or losses giving rise to the income tax are also recognised in the income statement.

Current tax is the tax expected to be paid on the taxable profit for the year, calculated using tax rates enacted or substantively enacted at the balance sheet date at each jurisdiction.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, and is calculated using the tax rates enacted or substantively enacted at the balance sheet date in any jurisdiction and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill, not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be deducted.

The Group offsets deferred taxes assets and liabilities for each subsidiary, whenever (i) the subsidiary has a legally enforceable right to set off current tax assets against current tax liabilities, and (ii) they relate to income taxes levied by the same taxation authority. This offset is therefore performed at each subsidiary level, being the deferred tax asset presented in the consolidated balance sheet the sum of the subsidiaries' amounts which present deferred tax assets and the deferred tax liability presented in the consolidated balance sheet the sum of the subsidiaries' amounts which present deferred tax liabilities.

*2.20. **Provisions***

Provisions are recognised when: (i) the Group has present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

When the effect of the passage of time (discount) is material, the provision corresponds to the net present value of the expected future payments, discounted at an appropriate rate considering the risk associated to the obligation.

Restructuring provisions are recognised when the Group has approved a detailed and formal restructuring plan and such restructuring either has commenced or has been announced publicly.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing with the contract.

*2.21. **Interest income and expense***

Interest income and expense are recognised in the income statement under interest and similar income and interest expense and similar charges for all non-derivative financial instruments measured at amortised cost and for the available-for-sale financial assets, using the effective interest rate method. Interest income arising from non-derivative financial assets and liabilities at fair value through profit or loss is also included under interest and similar income or interest expense and similar charges, respectively.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated at inception and it is not subsequently revised, except in what concerns financial assets and liabilities with a variable interest rate. In this case the effective interest rate is periodically revised, having in consideration the impact of the change in the reference interest rate in the estimated future cash-flows.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In the case of financial assets or groups of similar financial assets for which an impairment loss was recognised, interest income is calculated using the interest rate used to measure the impairment loss.

For derivative financial instruments, except for derivatives for risk management purposes (see Note 2.4), the interest component of the changes in their fair value is not separated out and is classified under net gains/(losses) from financial assets and financial liabilities at fair value through profit or loss. The interest component of the changes in the fair value of derivatives for risk management purposes is recognised under interest and similar income or interest expense and similar charges.

2.22. Fee and commission income

Fees and commissions are recognised as follows:

- Fees and commissions that are earned on the execution of a significant act, as loan syndication fees, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognised as income in the period the services are provided;
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest rate method.

2.23. Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24. *Fiduciary activities*

Assets held in the scope of the fiduciary activity are not recognised in the consolidated financial statements of the Group. Fee and commissions arising from this activity are recognised in the income statement in the period to which they relate.

2.25. *Insurance contracts*

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is classified as an investment contract and accounted for as a financial instrument.

The financial assets held by the Group to cover the liabilities arising under insurance and investment contracts are classified and accounted for in the same way as other Group financial assets.

Insurance contracts and investment contracts with discretionary participating features are recognised and measured as follows:

Premiums

Gross written premiums are recognised for as income in the period to which they respect, in accordance with the accrual accounting principle.

Reinsurance premiums ceded are accounted for as expense in the period to which they respect in the same way as gross written premiums.

Unearned premium reserve

The reserve for unearned gross written premiums and reinsurance ceded premiums reflects the part of the written premiums before the end of the period for which the risk period continues after the end of the period. This reserve is calculated using the pro-rata temporis method applied to each contract in force.

Acquisition costs

Acquisition costs that are directly or indirectly related to the selling of insurance and investment contracts with discretionary participating features are capitalized and deferred through the life of the contracts. Deferred acquisition costs are subject to recoverability testing at the time of the insurance policy or investment contract is issued and subject to impairment test (liability adequacy test) at each reporting date.

Claims reserves

Claims outstanding reflects the estimated total outstanding liability for reported claims and for incurred but not reported claims (IBNR). Reserves for both reported and not reported claims are estimated by management based on experience and available data using statistical methods. Additionally, claims reserve also includes an estimation related with future costs with claims settlement ("expense reserve").

The mathematical reserves relating to obligations to pay life pensions resulting from workmen's compensation claims is calculated by using actuarial assumptions, with reference to recognised actuarial methods and current labour legislation.

Claims reserves are not discounted, except life pensions arising from workmen's compensation claims.

Unexpired risk reserve
The reserve for unexpired risks represents the amount by which expected claims and administrative expenses likely to arise after the end of the period, from contracts concluded before that date, exceeds the unearned premiums reserve, any expected future premiums expected to be written under those contracts and from premiums renewed on January next year.

Life assurance reserve

The life assurance reserve reflects the present value of the Group's future obligations arising from life policies (insurance contracts and investment contracts with discretionary participating features) written and is calculated in accordance with recognised actuarial methods within the scope of applicable legislation.

Reserve for bonus and rebates

The reserve for bonus and rebates corresponds to the amounts attributed to policyholders or beneficiaries of insurance or investment contracts, in the form of profit participation, which have not yet been specifically allocated and included in the life assurance reserve.

Liability adequacy test

At each reporting date, the Group performs a liability adequacy test to the insurance and investment contracts with discretionary participating features liabilities. The assessment of the liabilities is performed using the best estimate of future cash flows under each contract. The liability adequacy test is performed product by product or aggregate basis when contracts are subject to broadly similar risks and managed as a single portfolio. Any deficiency determined, if exists, is recognised directly through income.

Shadow accounting

In accordance with IFRS 4, the unrealised gains and losses on the assets covering liabilities arising out from insurance and investment contracts with discretionary participating features are attributable to policyholders, to the extent that it is expected that policyholders will participate on those unrealised gains and losses when they became realised in accordance with the terms of the contracts and applicable legislation, by recording those amounts under liabilities.

2.26. Segment reporting

The Group adopts IFRS 8 – Segmental reporting, for the disclosure of the financial information by operating segments (see Note 4).

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) for which discrete financial information is available.

The results of the operating segments are periodically reviewed by the Management for decisions taking purposes. The Group prepares on a regular basis, financial information regarding the operating segments, which is reported to the Management.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.27. *Earnings per share*

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.28. *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the inception date, including cash and deposits with banks.

Cash and cash equivalents exclude restricted balances with central banks.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

IFRS set forth a range of accounting treatments and require management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure. A broader description of the accounting policies applied by the Group is shown in Note 2 to the Consolidated Financial Statements.

Because in many cases there are other alternatives to the accounting treatment chosen by management, the Group's reported results would differ if a different treatment were chosen. Management believes that the choices made by it are appropriate and that the consolidated financial statements present the Group's consolidated financial position and results fairly in all material respects.

3.1. *Impairment of available-for-sale financial assets*

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement, based on all available relevant information, including the normal volatility of the financial instruments prices.

Therefore, for equity securities, considering the high volatility of the markets, a decline (i) over 30% in market value in relation to the acquisition cost generally is regarded by the Group as significant and (ii) that persists for more than 12 months is generally regarded as prolonged. Debt securities are considered to be impaired if there is objective evidence that one or more events have an impact on the estimated future cash flows of these assets.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of the Group.

3.2. *Fair value of derivatives and other assets and liabilities at fair value*

Fair values are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating fair values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model may have produced different financial results from the ones reported.

3.3. *Impairment losses on loans and advances*

The Group reviews its loan portfolios to assess impairment on a regular basis, as described in Note 2.5.

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The frequency of default, risk ratings, loss recovery rates and the estimation of both the amount and timing of future cash flows, among other factors, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Group.

3.4. *Goodwill impairment*

Goodwill recoverable amount recognised as an asset of the Group is revised annually regardless the existence of impairment losses.

For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows/ dividends predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. The determination of future cash flows to discount and the discount rate involves judgement.

Changes in the expected cash flows and in the discount rate may lead to different conclusions from those that led to the preparation of these financial statements.

3.5. *Securitisations and special purpose entities (SPE)*

The Group sponsors the formation of special purpose entities (SPEs) primarily for asset securitisation transactions and for liquidity purposes.

The Group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question (see Note 2.2).

The determination of the SPEs that needs to be consolidated by the Group requires the use of estimates and assumptions in determining the respective expected residual gains and losses and which party retains the majority of such residual gains and losses. Different estimates and assumptions could lead the Group to a different scope of consolidation with a direct impact in net income.

3.6. *Held-to-maturity investments*

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement.

In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact on the income statement of the Group.

3.7. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

The Tax Authorities are entitled to review the Portuguese Group entities' determination of annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. The determination of annual tax earnings by other Group entities (located outside Portugal) can also be subject to similar reviews by their respective tax authorities. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Board of Directors of the Company and those of its subsidiaries, are confident that there will be no material differences arising from tax assessments within the context of the financial statements.

The Company itself is subject to the general tax regulations applicable to Luxembourg commercial companies. The applicable tax rate is 29.22% (31 December 2012: 29.22%).

3.8. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

3.9. Insurance and investment contracts liabilities

Insurance and investment contracts liabilities represent liabilities for future insurance policy benefits. Insurance reserves for traditional life insurance, annuities, and workmen's compensation policies have been calculated based upon mortality, morbidity, persistency and interest rate assumptions applicable to those coverage. The assumptions used reflect the Groups' and market experience and may be revised if it is determined that future experience will differ substantially from that previously assumed. Insurance and investment contracts liabilities include: (i) unearned premiums reserve, (ii) life mathematical reserve, (iii) reserve for bonus and rebates, (iv) unexpired risk reserve, (v) liability adequacy test and (vi) claims reserves. Claims reserves include estimated provisions for both reported and unreported claims incurred and related expenses.

When claims are made by or against policyholders, any amounts that the Group pays or expects to pay are recorded as losses. The Group establishes reserves for payment of losses for claims that arise from its insurance and investment contracts.

In determining their insurance reserves and investment contracts liabilities, the Group's insurance companies perform a continuing review of their overall positions, their reserving techniques and their reinsurance coverage. The reserves are also reviewed periodically by qualified actuaries.

The Group maintains property and casualty loss reserves to cover the estimated ultimate unpaid liability for losses with respect to both reported and not reported claims incurred as of the end of each accounting year.

Claims reserves do not represent an exact calculation of liability, but instead represent estimates, generally using actuarial valuations/techniques. These reserve estimates are expectations of what the ultimate settlement of claims is likely to cost based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in claims severity, frequency, legal theories of liability and other factors. Variables in the reserve estimation process can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, legal trends and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis. Additionally, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the insurer. Reserve estimates are continually reviewed in a regular ongoing process as historical loss experience develops and additional claims are reported and settled.

NOTE 4 - SEGMENTAL REPORTING

Group activities are focused primarily on the banking and insurance sectors and are directed to companies, institutional and private customers. The Group's principal operating subsidiaries are located in Portugal, which makes it its privileged market. The historical link with Brazil and Africa, the globalization of the Portuguese companies and the Portuguese emigration to several countries, led to an internationalisation of the Group, which already has an international structure contributing significantly to the Group's activities and results. The Group is also active in Portugal in the health-care management business.

The Group's products and services include deposits, loans to retail and corporate customers, fund management, broker and custodian services, investment banking services, as well as the issuance and commercialisation of life and non-life insurance products. Additionally, the Group makes short, medium and long term investments in the financial and currency exchange markets with the objective of taking advantages from the prices changes or to have a return from its available resources.

The Group has BES as its main banking operating unit - with 636 branches in Portugal and with branches in London, New York, Spain (25 branches), Nassau, Cayman Islands, Cape Verde, Venezuela, Luxembourg and Madeira Free Zone and 15 representation offices - with BES Investmento (investment banking), BES Angola (41 branches), BES Açores (18 branches), Banco BEST (11 branches), Espírito Santo Bank, BES Oriente, Aman Bank, BES Cape Verde, BES Vénétie, Espírito Santo Activos Financeiros (ESAF), ES Bank Panama, ES Bank Dubai and Banque Privée Espírito Santo. Tranquilidade, Logo and BES Seguros are the Group's non-life operating unit while T-Vida and BES-Vida are active in life-insurance.

When evaluating the performance by business area, the Group considers the following Operating Segments: (1) Domestic Commercial Banking, including Retail, Corporate, Institutional and Private Banking; (2) Asset Management; (3) International Commercial Banking including Private banking; (4) Investment Banking; (5) Capital Markets and Strategic Investments; (6) Non-Life Insurance; (7) Life Insurance; (8) Health-care management and (9) Corporative Centre. Each segment includes the Group structures that directly or indirectly relate to it, and also the other units of the Group whose activities are most related to one of these segments. The performance of each operating unit of the Group (considered as an investment centre) is evaluated individually.

Complementary, the Group, uses a segmentation of its activities and results according to geographic criteria, segregating the activity and the results generated from the units located in Portugal (domestic activities) from the units located abroad (international activities).

4.1. Operating Segments Description

Each of the operating segments includes the following activities, products, customers and Group structures:

Domestic Commercial Banking

This operating segment includes all the banking activity with corporate and institutional customers developed in Portugal, based in the branch offices network, corporate centres and other channels and includes the following:

a) Retail: corresponds to all activity developed by BES in Portugal with private customers and small business, fundamentally originated by the branches network, agent network and electronic channels. The financial information of the segment relates to, among other products and services, mortgage loans, consumer credit, financing the clients' activity, deposits repayable on demand and term deposits, retirement plans and other insurance products to private customers, commissions over account management and electronic payments, the investment funds cross-selling and brokerage and custodian services.

b) Corporate and Institutional: includes BES activities in Portugal with small, medium and large companies, through its commercial structure dedicated to this segment, which includes 24 corporate centres. Also includes activities with institutional and municipal customers. The main products considered on this segment are: discounted bills, leasing, factoring and short and long term loans; includes deposits and guarantees, custodian services, letters of credit, electronic payments management and other services.

c) Private Banking: includes private banking activity in Portugal, all profit, loss and assets and liabilities associated to customers classified as private by the Group in Portugal. The main products considered on this segment are: deposits; discretionary management, selling of investment funds, custodian services, brokerage services and insurance products.

Asset Management

This segment includes the asset management activities developed by ESAF in Portugal and abroad (Spain, Brazil, Angola, Luxembourg and United Kingdom). ESAF's products include all types of funds - investment funds, real estate funds and pension funds, and also includes discretionary management services and portfolio management.

International Commercial Banking

This operating segment includes the units located abroad, which banking activities are focused on corporate, retail customers and private banking, excluding investment banking and asset management, which are integrated in the corresponding segments.

Among the units comprising this segment are BES Angola and Spain, London and New York Branches of BES, ES Bankers Dubai, ES Bank Panama and Banque Privée. The main products included in this segment are deposits, credit, asset management fees, leveraged finance, structured trade finance and project finance operations.

Investment Banking

This segment includes assets, liabilities, profits and losses of the operating units that consolidate in BES Investimento, which comprises all the investment banking activities of the Group originated in Portugal and abroad. In addition to the lending activity, deposits and other forms of funding, it includes advisory services, mergers and acquisitions, restructuring and debt consolidation, initial public offerings (shares and bonds), brokerage and other investment banking services.

Capital Markets and Strategic Investments

This segment includes the financial management of the Group, namely the investments in capital markets instruments (equity and debt), whether they are integrated in trading, fair value, available for sale or held to maturity financial assets portfolios. Also included in this segment is the Group's investment in non-controlling strategic positions, as well as all the activity inherent to interest rate and exchange rate risk management, long and short positions on financial instruments management, which allow the Group to take advantage of the price changes in those markets where these instruments are exchanged.

Non-Life Insurance

This segment includes the activities of Tranquilidade and Logo in the non-life insurance sector as well as the Group's participation in the activities of its associated companies, BES-Seguros and Europ-Assistance.

Life Insurance

This segment includes the activities of T-Vida and BES Vida in the life insurance sector.

Health-care management

This segment includes the Group's activities in the management of hospitals, outpatient clinics, residential hospitals and senior citizen residences through ES Saúde. Considering the loss of control over ES Saúde occurred in 2012 (see Note 55) this segment was discontinued on ESFG perspective.

Corporative Centre

This area does not correspond to an operating segment. It refers to an aggregation of corporative structures acting throughout the entire Group, such as Representative Office in London, areas related to the Board of Directors, Compliance, Financial and Accounting, Risk management, Investor Relations, Internal Audit, Organization and Quality, among others. It also includes the corporate borrowings of the Group.

4.2. Allocation criteria of the activity and results to the operating segments

The financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information analysed by the decision makers of the Group, as required by IFRS.

The accounting policies applied in the preparation of the financial information related with the operating segments are consistent with the ones used in the preparation of these consolidated financial statements, which are described in Note 2, having been adopted the following principles.

Measurement of profit or loss from operating segments

The Group uses net income before taxes as the measure of profit or loss for evaluating the performance of each operating segment.

Autonomous Operating Segments

As mentioned above, each operating unit (subsidiaries and associated entities) is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the business developed by these units, they are fully included in one of the operating segments, assets, liabilities, equity, income and expenses.

ESFG structures dedicated to segments

The activity of BES, ESFG's main subsidiary, comprises most of its operating segments and therefore its activity is disaggregated.

For the purpose of allocating the financial information, the following principles are used: (i) the origin of the operation, (ii) the type of product or service rendered; (iii) the segment to which the commercial and central structures are dedicated to; (iv) the Cost Based Approach (CBA) model and other specific drivers in the allocation of indirect cost (central support and IT services); (vi) the impairment model in the allocation of credit risk; (vii) total equity is allocated to the capital markets and strategic investments segment.

The transactions between the independent and autonomous units of the Group are made at market prices; the price of the services between the structures of each unit, namely the price established for funding between units, is determined by a margin process (which vary in accordance with the strategic relevance of the product and the balance between funding and lending); the remaining internal transactions are allocated to the segments in accordance with CBA without any margin from the supplier.

The interest rate risk, exchange risk, liquidity risk and others, except for credit risk, are included in the Financial Department, whose mission is to make the Group's financial management. The related activity and results are included in Capital Markets and Strategic Investments segment.

Interest and similar income/expense

Since the Group's activities are mainly related to the financial sector and the majority of the segments revenues are from interest, the Group relies primarily on net interest revenue to assess the performance of the segment and to make decisions about resources to be allocated to the segment. As such and as permitted by IFRS 8 paragraph 23, the Group reports segments interest revenue net of its interest expense.

Consolidated Investments under the Equity Method

Investments in associated companies consolidated under the equity method are included in the operating segment they relate to. Associates not directly related to a specific operating segment are included in the Capital Markets and Strategic Investments segment.

Non current assets

Non current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. BES includes these assets on the Capital Markets and Strategic Investments segment; the non current assets held by the subsidiaries are allocated to the segment in which these subsidiaries develop their business.

Income taxes

Income tax is a part of the Group net income but does not affect the evaluation of most of the Operating Segments. Deferred tax assets and liabilities are included in the Capital Markets and Strategic Investments segment.

Post Employment Benefits

Assets under post employment benefits are managed in a similar way to deferred income taxes assets, and are included in the Capital Markets and Strategic Investments segment. The factors that influence the amount of responsibilities and the amount of the funds' assets correspond, mainly, to external elements; it is Group's policy not to include these factors on the performance evaluation of the operating segments, which activities relate to customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that comprise the International Area are: BES Angola and its branches, BES Oriente, Espírito Santo Bank, ES Bankers Dubai, ES Bank Panama, Banque Privée Espírito Santo, Espírito Santo Vénétie, Banco Delle Tre Venezie, ESFIL, London, Spain, New York and Cape Verde, Venezuela and Luxembourg branches of BES, and the operating units located abroad from BES Investimento and ESAF.

The financial elements related to the International Area are presented in the financial statements of those units with the respective consolidation and elimination adjustments.

The primary segments reporting are presented as follows:

	31.12.2013											
	Retail	Corporate and institutional	Private banking	International comercial banking	Investment banking	Asset management	Capital markets and stategic investments	Life insurance	Non-life insurance	Health care management	Corporative centre	Total
						(in thousands of euro)						
Net interest	451 030	348 197	122 410	483 644	82 073	1 881	(542 695)	155 299	13 190	24	(22 558)	1 092 495
Net fees and commissions	165 242	242 607	47 476	142 815	101 777	54 154	(18 510)	(11 621)	(358)	(109)	(341)	723 132
Other operating income	183 620	21 840	18 517	(60 175)	62 617	5 509	(187 042)	544 774	304 303	14 188	6 682	914 833
Total operating income	799 892	612 644	188 403	566 284	246 467	61 544	(748 247)	688 452	317 135	14 103	(16 217)	2 730 460
Operating expense	581 253	689 747	79 331	532 616	231 461	21 768	503 055	297 018	304 707	16 500	849 873	4 107 329
Includes:												
Provision/impairment	61 347	631 012	23 200	230 105	59 850	2 463	419 921	4 854	1 914	(114)	700 247	2 134 799
Amortization	46 520	6 148	3 331	32 213	6 726	307	9 451	845	7 265	930	5 722	119 458
Gains from sale of investments in subsidiaries and associates	-	-	-	-	-	-	-	-	-	-	3	3
Share of profit of associates	-	-	-	(138)	540	39	(3 374)	-	5 522	6 234	-	8 823
Profit before income tax	218 639	(77 103)	109 072	33 530	15 546	39 815	(1 254 676)	391 434	17 950	3 837	(866 087)	(1 368 043)
Intersegment operating income	3 632	27 277	1 948	157 284	(11 606)	(12 742)	(126 862)	2 939	7 428	6 105	(1 242)	54 161
Total Net Assets	15 117 748	22 400 036	2 423 441	25 628 928	5 963 273	205 147	2 756 659	8 581 452	700 743	125 822	946 402	84 849 651
Total Liabilities	14 811 737	22 477 137	2 157 575	23 636 778	5 310 451	22 981	(830 402)	8 092 575	670 510	3 655	1 785 217	78 138 214
Investments in Associates	-	-	-	10 299	58 529	788	384 722	-	31 555	120 580	-	606 473
Capital expenditure tangible assets	514	-	531	95 150	6 452	144	13 022	106	5 045	254	154	121 372
Capital expenditure intangible assets	615	-	4 639	10 880	3 225	124	42 845	1 692	5 539	598	-	70 157
Capital expenditure non-current assets	5 427	-	-	66 573	16 813	-	806 670	-	-	-	11 059	906 542

31.12.2012

	Retail	Corporate and institutional	Private banking	International comercial banking	Investment banking	Asset management	Capital markets and stategic investments	Life insurance	Non-life insurance	Health care management	Corporative centre	Total
							(in thousands of euro)					
Net interest	397 594	268 100	97 736	344 593	94 844	3 041	(92 390)	159 794	14 217	(8 032)	(14 276)	1 265 221
Net fees and commissions	197 911	260 985	49 663	239 058	100 673	52 757	(34 333)	(14 938)	(281)	(903)	4	850 596
Other operating income	108 735	15 223	13 178	37 817	63 616	11 187	330 880	257 066	305 251	264 901	12 080	1 419 934
Total operating income	704 240	544 308	160 577	621 468	259 133	66 985	204 157	401 922	319 187	255 966	(2 192)	3 535 751
Operating expense	544 539	702 036	58 668	455 014	222 262	21 594	299 162	157 688	314 810	257 705	185 646	3 219 124
Includes:												
Provision/impairment	74 513	640 964	719	186 690	46 205	3 119	226 336	1 121	654	1 032	(4)	1 181 349
Amortization	51 136	6 626	3 602	28 105	5 777	422	9 179	5 001	7 309	22 616	6 006	145 779
Gains from sale of investments in subsidiaries and associates	-	-	-	2 129	2 503	-	(2 120)	-	11 206	60 332	-	74 050
Gains arising on business combinations archived in stages	-	-	-	-	-	-	87 273	-	-	-	-	87 273
Share of profit of associates	-	-	-	291	(188)	(48)	505	-	4 800	(604)	-	4 756
Profit before income tax	159 701	(157 728)	101 909	168 874	39 186	45 343	(9 347)	244 234	20 383	57 989	(187 888)	482 706
Intersegment operating income	4 799	31 248	4 218	98 195	(13 361)	(13 813)	(63 300)	3 224	9 240	4 015	(10 648)	53 817
Total Net Assets	15 633 394	23 032 898	1 969 484	22 931 064	6 484 637	190 368	8 236 414	7 306 634	769 141	120 060	932 444	87 606 538
Total Liabilities	15 542 145	23 032 898	1 833 834	21 292 743	5 745 347	23 955	3 136 956	7 120 109	721 797	3 536	998 713	79 452 033
Investments in Associates	-	-	-	9 873	57 604	500	437 141	-	21 244	114 252	-	640 614
Capital expenditure tangible assets	699	-	251	137 915	1 875	180	8 937	374	2 535	138	284	153 188
Capital expenditure intangible assets	583	-	227	11 048	6 116	117	370 823	2 737	6 257	747	-	398 655
Capital expenditure non-current assets	5 412	-	-	232 354	-	-	1 198 387	-	-	-	14 258	1 450 411

The secondary segment information is prepared in accordance with the geographical distribution of the Group's business units, as follows:

31.12.2013

	Portugal	Spain	France	UK	Switzerland	Luxembourg	Hungary	USA	Panama	Dubai	Brazil	Angola	Cape Verde	Macao	Other	Total
								(In thousands of euro)								
(Loss) / profit for the year after tax and before non-controling interest	(523 286)	(47 765)	15 207	32 648	9 776	(762 407)	-	2 846	13 836	1 887	6 741	15 332	1 428	3 678	(4 567)	(1 234 646)
Attributable to the non-controling interest																(370 615)
Loss for the year																(864 031)
Intersegment operating income	(103 523)	7 960	18 833	229 261	(27 924)	30 493	-	366	(2 282)	568	-	(108 368)	176	7 845	756	54 161
Total Assets	54 467 676	6 351 813	2 406 551	5 107 326	1 463 222	141 038	139	1 548 221	558 135	295 705	2 336 012	8 314 502	261 015	389 685	1 208 611	84 849 651
Investments in associates	451 495	(32 864)	75 442	-	-	788	-	-	-	-	380	52 548	-	-	58 684	606 473
Capital expenditure tangible assets	20 386	3 663	184	839	531	104	-	175	451	223	3 930	89 753	10	7	1 116	121 372
Capital expenditure intangible assets	53 267	4 000	58	1 006	4 639	-	-	51	13	57	804	414	401	1 364	4 083	70 157
Capital expenditure non-current assets	812 097	57 069	-	-	-	-	-	-	-	-	16 813	20 563	-	-	-	906 542

31.12.2012

	Portugal	Spain	France	UK	Switzerland	Luxembourg	Hungary	USA	Panama	Dubai	Brazil	Angola	Cape Verde	Macao	Other	Total
								(in thousands of euro)								
(Loss) / profit for the year after tax and before non-controling interest	283 720	18 686	16 664	19 232	28 648	(59 168)	(50)	5 868	16 515	5 918	11 088	27 523	1 756	3 982	(8 678)	371 704
Attributable to the non-controling interest																58 071
Profit for the year																313 633
Intersegment operating income	(14 879)	5 816	(7 444)	250 030	(35 242)	30 272	-	(379)	(8 874)	1 000	-	(174 070)	(2 295)	8 812	1 070	53 817
Total Assets	59 322 647	4 652 643	1 965 689	5 944 423	1 301 918	114 501	139	1 393 230	658 228	180 182	2 439 976	7 978 548	208 048	446 385	999 981	87 606 538
Investments in associates	532 286	(32 864)	75 541	-	-	5 527	-	-	-	-	498	25 846	-	-	33 978	640 812
Capital expenditure tangible assets	12 665	2 939	1 304	388	336	175	-	44	39	367	305	126 709	181	-	7 736	153 188
Capital expenditure intangible assets	385 124	4 318	185	887	227	-	-	149	-	-	901	382	444	-	6 038	398 655
Capital expenditure non-current assets	1 203 799	44 625	-	-	-	-	-	-	-	-	-	201 987	-	-	-	1 450 411

NOTE 5 - NET INTEREST INCOME

This balance is analysed as follows:

	31.12.2013			31.12.2012		
	Assets / Liabilities at amortised cost and available-for-sale financial assets	Assets / Liabilities at fair value through profit or loss	Total	Assets / Liabilities at amortised cost and available-for-sale financial assets	Assets / Liabilities at fair value through profit or loss	Total
			(in thousands of euro)			
Interest and similar income						
Interest from loans and advances	2 431 191	14 187	2 445 378	2 675 102	8 367	2 683 469
Interest from deposits with banks	47 499	807	48 306	27 023	3 749	30 772
Interest from financial assets at fair value through profit or loss	-	255 526	255 526	-	256 548	256 548
Interest from available-for-sale financial assets	395 917	-	395 917	555 253	-	555 253
Interest from held to maturity	53 305	-	53 305	54 813	-	54 813
Interest from derivatives for risk management purposes	-	395 474	395 474	-	459 012	459 012
Other interest and similar income	35 350	-	35 350	57 814	-	57 814
	2 963 262	665 994	3 629 256	3 370 005	727 676	4 097 681
Interest expense and similar charges						
Interest from debt securities	(799 351)	(67 134)	(866 485)	(886 649)	(37 481)	(924 130)
Interest from amounts due to customers	(971 471)	(49 321)	(1 020 792)	(1 006 421)	(33 164)	(1 039 585)
Interest from deposits from central banks and other banks	(330 756)	(11 843)	(342 599)	(411 528)	(11 028)	(422 556)
Interest from subordinated debt	(97 735)	-	(97 735)	(95 365)	-	(95 365)
Interest from derivatives for risk management purposes	-	(195 462)	(195 462)	-	(343 532)	(343 532)
Other interest expenses and similar charges	(13 688)	-	(13 688)	(7 292)	-	(7 292)
	(2 213 001)	(323 760)	(2 536 761)	(2 407 255)	(425 205)	(2 832 460)
	750 261	342 234	1 092 495	962 750	302 471	1 265 221

Interest from loans and advances includes an amount of euro 103 082 thousand (31 December 2012: euro 78 290 thousand) related to the unwind of discount regarding the impairment losses of loans and advances to customers that are overdue (see Note 26).

Interest from derivatives for risk management purposes includes, in accordance with the accounting policy described in Notes 2.4 and 2.21, interest from hedging derivatives and from derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss in accordance with the accounting policies described in Notes 2.5, 2.6 and 2.8.

NOTE 6 - NET FEE AND COMMISSION INCOME

This balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Fee and commission income		
From banking services	489 804	604 676
From guarantees granted	258 469	233 432
From transactions with securities	73 154	64 287
From commitments assumed to third parties	28 942	38 774
Other fee and commission income	76 391	93 977
	926 760	1 035 146
Fee and commission expenses		
From banking services rendered by third parties	(83 749)	(79 555)
From transactions with securities	(21 489)	(26 571)
From guarantees received	(70 054)	(59 819)
Other fee and commission expense	(28 336)	(19 587)
	(203 628)	(185 532)
	723 132	**849 614**

Fee and commission expenses from guarantees received includes as at 31 December 2013, the amount of euro 60.6 million (31 December 2012: euro 58.5 million) related with the guarantees received from the Portuguese government in relation with the debt issued by the Group.

NOTE 7 - NET (LOSSES) FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
			(in thousands of euro)			
Trading assets and liabilites						
Securities						
Bonds and other fixed income securities						
Issued by government and public entities	90 728	(164 298)	(73 570)	943 283	(723 240)	220 043
Issued by other entities	20 787	(12 604)	8 183	13 243	(26 149)	(12 906)
Shares	43 638	(62 182)	(18 544)	43 947	(47 763)	(3 816)
Other variable income securities	1 167	(1 552)	(385)	1 185	(1 149)	36
	156 320	(240 636)	(84 316)	1 001 658	(798 301)	203 357
Derivative financial instruments						
Exchange rate contracts	2 813 561	(2 815 009)	(1 448)	1 040 084	(1 038 856)	1 228
Interest rate contracts	5 408 069	(5 553 884)	(145 815)	4 956 739	(4 911 210)	45 529
Equity/Index contracts	2 152 703	(2 167 803)	(15 100)	1 342 619	(1 325 590)	17 029
Credit default contracts	506 019	(539 289)	(33 270)	753 554	(783 848)	(30 294)
Other	31 183	(22 206)	8 977	107 646	42 859	150 505
	10 911 535	(11 098 191)	(186 656)	8 200 642	(8 016 645)	183 997
	11 067 855	(11 338 827)	(270 972)	9 202 300	(8 814 946)	387 354
Financial assets and liabilities at fair value through profit or loss						
Securities						
Bonds and other fixed income securities						
Issued by government and public entities	63 712	(37 593)	26 119	64 358	(2 654)	61 704
Issued by other entities	2 049 451	(2 020 370)	29 081	187 507	(111 519)	75 988
Shares	270 543	(263 270)	7 273	2 025	(5 812)	(3 787)
Other variable income securities	2 472 179	(2 420 908)	51 271	120 699	(189 515)	(68 816)
	4 855 885	(4 742 141)	113 744	374 589	(309 500)	65 089
Financial assets [1]						
Loans and advances to customers	36 605	(15 779)	20 826	8 768	(9 406)	(638)
	36 605	(15 779)	20 826	8 768	(9 406)	(638)
Financial liabilities [1]						
Deposits from banks	17 887	-	17 887	1 091	(25 228)	(24 137)
Due to customers	92 014	(50 506)	41 508	57 034	(168 007)	(110 973)
Debt securities issued	44 449	(94 505)	(50 056)	71 173	(267 531)	(196 358)
Investment contracts	63 857	(231 764)	(167 907)	71 859	(247 914)	(176 055)
Subordinated debt	-	-	-	2 715	(1 759)	956
	218 207	(376 775)	(158 568)	203 872	(710 439)	(506 567)
	5 110 697	(5 134 695)	(23 998)	587 229	(1 029 345)	(442 116)
	16 178 552	(16 473 522)	(294 970)	9 789 529	(9 844 291)	(54 762)

[1] includes the fair value change of hedged assets and liabilities and of assets and liabilities at fair value through profit or loss

As at 31 December 2013, this balance includes a negative effect of euro 73.3 million related to the change in fair value of financial liabilities designated at fair value through profit or loss, attributable to the Group's credit risk component (31 December 2012: negative effect of euro 35.2 million).

In accordance with the accounting policies followed by the Group, financial instruments are initially recognised at fair value. The best evidence of the fair value of the instrument at inception is deemed to be the transaction price.

However, in particular circumstances, the fair value of a financial instrument at inception, determined based on a valuation techniques, may differ from the transaction price, namely due to the existence of a built-in fee, originating a *day one profit*.

The Group recognises in the income statement the gains arising from the built-in fee (*day one profit*), generated, namely, on the trading of foreign exchange financial products, considering that the fair value of these instruments at inception and on subsequent measurements is determined only based on observable market data and reflects the Group access to the wholesale market.

In 2013, the gains recognised in the income statement arising from the built-in fee amounted to approximately euro 13 691 thousand (2012: euro 14 587 thousand) being substantially related to foreign exchange transactions.

NOTE 8 - NET GAINS FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

This balance is analysed as follows:

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
			(in thousands of euro)			
Bonds and other fixed income securities						
Issued by government and public entities	384 609	(21 815)	362 794	821 775	(24 937)	796 838
Issued by other entities	21 865	(19 618)	2 247	81 219	(66 115)	15 104
Shares	84 706	(17 055)	67 651	46 541	(250 272)	(203 731)
Other variable income securities	31 657	(12 700)	18 957	14 282	(16 925)	(2 643)
	522 837	(71 188)	451 649	963 817	(358 249)	605 568

During the year ended 31 December 2013, the Group sold at market prices through the stock exchange, 77.4 million ordinary shares of EDP, this transaction generated a realised net gain of euro 53.7 million (euro 14.7 million net of non-controlling interest) (see Note 24).

During the year ended 31 December 2012, the Group sold at market prices through the stock exchange, 96.4 million ordinary shares of EDP and 260.7 million ordinary shares of Portugal Telecom. These transactions generated a realised net loss of euro 224.9 million (euro 61.5 million net of non-controlling interest) (see Note 24).

NOTE 9 - NET (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This balance is analysed as follows:

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
			(in thousands of euro)			
Foreign exchange translation	943 107	(945 795)	(2 688)	1 048 822	(1 067 191)	(18 369)
	943 107	(945 795)	(2 688)	1 048 822	(1 067 191)	(18 369)

This balance includes the exchange differences arising on translating monetary assets and liabilities at the exchange rates ruling at the balance sheet date in accordance with the accounting policy described in Note 2.3.

NOTE 10 - NET (LOSSES) FROM THE SALE OF OTHER ASSETS

	31.12.2013	31.12.2012
	(in thousands of euro)	
Loans and advances to customers	(20 738)	(39 507)
Non-current assets held for sale	(52 261)	(6 382)
Other	5 936	3 316
	(67 063)	**(42 573)**

As at 31 December 2013, Loans and advances to customers include a loss of euro 0.1 million related to the sale of euro 63 million of credits realised within the deleverage program of the Group (31 December 2012: loss of euro 29.6 million related to the sale of euro 262 millions of credits).

NOTE 11 - INSURANCE EARNED PREMIUMS, NET OF REINSURANCE

The insurance earned premiums, net of reinsurance, can be analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Gross premiums written	814 756	468 168
Reinsurance premiums ceded	(122 122)	(63 990)
Net premiums written	692 634	404 178
Change in the provision for unearned premiums, net of reinsurance	2 034	3 454
Earned premiums, net of reinsurance	**694 668**	**407 632**

The direct insurance written and earned premiums are analysed as follows:

	31.12.2013		31.12.2012	
	Written premiums	Earned premiums	Written premiums	Earned premiums
	(in thousands of euro)			
Life	469 118	468 292	114 780	114 079
Non-life:				
Direct Business				
Accident and health	101 563	100 067	100 660	101 281
Fire and hazards	64 205	64 754	64 100	63 563
Motor	144 410	148 904	153 773	156 705
Maritime, airline and transportation	7 794	7 621	6 878	6 672
Third party liability	11 499	11 384	11 080	11 162
Credit and surety ship	51	42	40	43
Other	15 715	16 049	16 086	16 039
Total	814 355	817 113	467 397	469 544
Reinsurance accepted	401	368	771	764
	814 756	**817 481**	**468 168**	**470 308**

The reinsurance ceded premiums are analysed as follows:

	31.12.2013		31.12.2012	
	Written premiums	Earned premiums	Written premiums	Earned premiums
	(in thousands of euro)			
Life	64 294	64 293	8 681	8 118
Non-life:				
Direct Business				
Accident and Health	4 097	3 744	3 348	3 420
Fire and hazards	29 411	29 900	28 744	28 180
Motor	1 887	2 111	1 972	1 959
Maritime, airline and transportation	4 384	4 153	3 757	3 687
Third party liability	1 430	1 421	1 401	1 396
Credit and surety ship	16	15	14	17
Other	15 229	16 066	15 701	15 594
Total	120 748	121 703	63 618	62 371
Reinsurance accepted	1 374	1 110	372	305
	122 122	122 813	63 990	62 676

Gross written premiums from life insurance business are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Annuities	9 861	5 733
Risk contracts	77 124	71 290
Saving contracts with profit sharing	382 133	37 757
	469 118	**114 780**

In accordance with IFRS 4, the contracts issued by the Group for which there is only a transfer of financial risk, with no discretionary participating features, are classified as investment contracts and accounted for as financial liabilities.

The increase in gross written premiums in 2013 is essentially due the significant increase in the capitalization products and retirement plans.

NOTE 12 - OTHER OPERATING INCOME AND EXPENSES

These balances are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Other operating income arising from:		
Medical services business	13 944	262 514
Insurance business	6 873	14 745
IT related business	1 720	5 689
Call center business	11 969	13 117
Fair value adjustment on investment properties (see Note 31)	8 572	2 900
Gains on repurchase of Group debt securities (see Notes 39 and 43)	14 118	113 721
Non recurring gains on advisory services	3 671	4 299
Other	13 976	41 952
	74 843	**458 937**
Other operating expenses arising from:		
Direct and indirect taxes	(22 921)	(22 261)
Contributions to the depositors guarantee fund	(12 865)	(10 370)
Membership and donations	(6 930)	(8 870)
Medical services business	(2 359)	(155 685)
Insurance business	(16 657)	(24 700)
Fair value adjustment on investment properties (see Note 31)	(2 627)	(18 611)
Contribution to banking sector	(27 289)	(27 910)
Contribution to funds of resolution	(11 813)	-
Losses on repurchase of Group debt securities (see Notes 39 and 43)	(7 343)	-
Other	(47 165)	(8 583)
	(157 969)	**(276 990)**
	(83 126)	**181 947**

The decrease in other operating income - Medical services business relates to the acquisition by Rio Forte Investments, S.A. of an additional 19.5% stake in ES Saúde. ESFG has lost control over ES Saúde in 2012. Consequently, this entity is no longer fully consolidated by ESFG, being classified as an associate.

As at 31 December 2012, Other operating income includes a gain of euro 21.8 million related with the negative past service cost (gain) which arose from the change introduced by Decree Law 133/2012 to the calculation method for the death allowance (see Note 14).

Also under Other operating income, as at 31 December 2012, is included the gain of euro 10.3 million arising from the termination of the exclusive distribution agreement established between ESAF (through Gespator) and Banco Pastor, following the change of control of Banco Pastor occurred in the first semester of 2012 as explained in Note 32.

NOTE 13 - STAFF COSTS

This balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Wages and salaries		
Remuneration	520 736	598 078
Long term service benefits (see Note 14)	4 560	3 002
Pension costs (see Note 14)	14 826	8 779
Other mandatory social charges	111 188	127 808
Other costs	41 424	40 040
	692 734	**777 707**

As at 31 December 2013, other costs include the amount of euro 925 thousand related to the variable remuneration plan on financial instruments (PRVIF) of BES in accordance with the accounting policy described in Note 2.18 (31 December 2012: euro 489 thousand). The details of this scheme implemented by BES Group are analysed in Note 14.

An amount of euro 183 thousand negative (31 December 2012: euro 97 thousand positive) is included in other costs related to the stock options plan set-up by ESFG, in accordance with the accounting policy described in Note 2.18 (see Note 14).

The salaries and other benefits attributed to the key management personnel of Group are analysed as follows:

	Board of Directors	Audit Committee	Other key management	Total
31 December 2013				
Salaries and other short terms benefits	3 288	441	26 161	29 890
Bonus	234	-	3 549	3 783
Stock-option plan	-	-	-	-
Sub total	**3 523**	**441**	**29 710**	**33 674**
Pension costs and social charges	422	-	11 420	11 842
Long term service benefits	-	-	698	698
Total	**3 945**	**441**	**41 827**	**46 213**
31 December 2012				
Salaries and other short terms benefits	4 008	654	24 009	28 671
Bonus	594	-	6 454	7 048
Stock-option plan	42	-	58	100
Sub total	**4 644**	**654**	**30 521**	**35 820**
Pension costs and social charges	739	-	6 288	7 027
Long term service benefits	-	-	72	72
Total	**5 383**	**654**	**36 881**	**42 918**

Other key management personnel include board members of ESFG subsidiaries and ESFG senior management.

As at 31 December 2013 and 2012, the loans granted by the Group to key management personnel amounted to euro

(Amounts expressed in thousands of euro, except when indicated)

25.8 million and euro 38.4 million, respectively.

As at 31 December 2013 and 2012, the number of employees of the Group is analysed as follows:

	31.12.2013	31.12.2012
Banking sector employees	10 624	10 309
Health sector employees	358	366
Insurance sector employees	732	709
Employed by other companies essencially providing services to customers outside the Group	568	652
	12 282	**12 036**

By professional category, the number of employees of the Group is analysed as follows:

	31.12.2013	31.12.2012
Senior management	1 292	1 254
Management	1 398	1 289
Specific functions	4 767	4 778
Administrative functions and others	4 825	4 715
	12 282	**12 036**

NOTE 14 - EMPLOYEE BENEFITS

Pension and health-care benefits

As described in Note 2.18, the Group's companies operate defined pension and health-care plans for their employees and their dependants under which the benefits vest on the earlier of retirement, death or incapacity.

However, it should be noted that in what concerns the banking subsidiaries, the employees hired after 31 March 2008 are covered by the Portuguese Social Security scheme.

Additionally, with the publication of Decree-Law n.1-A / 2011 of January 3, all banking sector employees beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme from 1 January 2011, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of the banks the protection in sickness, disability, survivor and death.

Retirement pensions of banking employees integrated into the General Social Security Regime from 1 January 2011, continue to be calculated according to the provisions of ACT and other conventions. Banking employees, however, are entitled to receive a pension under the general regime, which amount takes into account the number of years of discounts for that scheme. Banks are responsible for the difference between the pension determined in accordance with the provisions of ACT and that the one that the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate to the Social Security Regime is 26.6%, 23.6% paid by the employer and 3% paid by the employees, instead of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by the same law. In consequence of this change, the pension rights of active employers is to be covered under the terms defined by the

(Amounts expressed in thousands of euro, except when indicated)

General Social Security Regime, taking into account the length of service from 1 January 2011 until retirement. The differential required to support the guaranteed pension in terms of the ACT is paid by the Banks.

At the end of 2011 following the third tripartite agreement established between the Portuguese Government, the Portuguese Banking Association and the banking sector employees unions, it was decided to transfer to the Social Security Regime the banks liabilities with pension in payment as at 31 December 2011.

The tripartite agreement established, provides for the transfer to the Social Security sphere of the liabilities with pensions in payment as of 31 December 2011 at constant values (0% discount rate). The responsibilities relating to updates of pensions value, other pension benefits in addition to those to be borne by the Social Security, health-care benefits, death allowance and deferred survivor pensions, will remain in the sphere of responsibility of the banks with the correspondent funding being provided through the respective pension funds.

The banks pension funds assets, specifically allocated to the cover of the transferred liabilities, were also be transferred to the Social Security.

Being thus a definitive and irreversible transfer of the liabilities with pensions in payment (even if only on a portion of the benefit), the conditions set out in IAS 19 'Employee benefits' underlying the concept of settlement were met, as the obligation with pension in payment as at 31 December 2011 extinguished at the date of transfer.

The actuarial valuation of pension and health-care benefits for the Group companies is performed every half-year, with latest valuation performed as at 31 December 2013. On annual basis, the actuarial valuation is reviewed by an independent actuary.

As at 31 December 2013 and 2012, the main assumptions considered in the actuarial valuation, to determine the defined benefit obligation of pension and health-care benefits for the Group employees are as follows:

	Insurance sector		Banking sector			
			31.12.2013		31.12.2012	
	31.12.2013	31.12.2012	1st through 3rd year	4th and subsequent years	1st through 4th year	5th and subsequent years
Financial assumptions						
Salaries increase rate	1% - 2.5% (*)	0% - 2.5% (*)	0.00%	0.75%	0.00%	0.75%
Pensions increase rate	0% - 2.5% (*)	0% - 2.5% (*)	1.00%	1.75%	1.00%	1.75%
Early retirements pensions increase rate	1% - 2.5% (*)	1.00%	-	-	-	-
Expected return of plan assets	3.75%	3.26% - 4.25%	4.00%		4.50%	
Discount rate	3.75%	3.26% - 4.25%	4.00%		4.50%	
Demographic assumptions						
Mortality table						
Men	GKF 95		TV 73/77 (adjusted)			
Women	GKF 95		TV 88/90			
Actuarial method			*Project Unit Credit Method*			

(*) Pension fund of Board of Directors

In accordance with the accounting policy described in Note 2.18, the discount rate used to calculate the actuarial present value of the pensions and health care defined benefits, was determined at the balance sheet date considering (i) the evolution of the main indexes related with high quality corporate bonds and (ii) the duration of the liabilities. The expected return on plan assets is based on the long term expected return for each asset class within the portfolio of the pension funds and takes in consideration the investment strategy determined for the funds.

During 2013, the legal retirement age in Portugal, for active employees under the Social Security Regime, went from 65 years to 66 years of age. However, the Group plan remained unchanged with retirement age at 65 years old. Therefore, the change in the legal retirement age has an impact in the amount of the Group defined benefit obligation due to the reduction of the participation of the Social Security Regime.

The contributions to SAMS as at 31 December 2013 and 2012 corresponded to 6.5% of total wages. The percentage of contribution is established by SAMS, and no changes are expected for 2014.

The number of persons covered by the plan is as follows:

	31.12.2013	31.12.2012
Employees	5 921	6 337
Pensioners and widows	6 013	5 908
Total	**11 934**	**12 245**

The amounts recognised in the balance sheet following the application of IAS 19 as at 31 December 2013 and 2012 are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Assets / (liabilities) recognised in the balance sheet		
Defined benefit obligation		
Pensioners	(487 491)	(448 265)
Employees	(858 518)	(792 037)
	(1 346 009)	**(1 240 302)**
Coverage		
Fair value of plan assets	1 346 019	1 259 117
Net assets in balance sheet (see Note 35)	**10**	**18 815**
Remeasurements recognised in other comprehensive income	**1 196 453**	**1 089 323**

Additionally, for the insurance entities of the Group, Tranquilidade and Esumédica have transferred part of their liabilities to BES Vida, through the acquisition of the life insurance policies. The number of pensioners covered by these policies is 359 (31 December 2012: 388), and the total liability amounts to euro 11.2 million (31 December 2012: euro 11.8 million).

In accordance with accounting policy described in Note 2.18 and following the requirements of IAS 19 — Employees benefits, the Group assesses, when applicable, at each balance sheet date and for each plan separately, the recoverability of the recognised assets in relation to the defined benefit pension plans based on the expectation of reductions in future contributions to the funds.

The changes in the defined benefit obligation can be analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Defined benefit obligation as at 1 January	**1 240 302**	**1 117 094**
Service cost	13 659	14 325
Interest cost	55 775	58 994
Plan participants' contribution	3 260	3 259
Remeasurements:		
- changes in actuarial assumptions	94 593	65 148
- experience adjustments	(24 641)	42 066
Pensions paid by the fund	(34 116)	(31 288)
Benefits paid by the Group	(104)	(118)
Settlement of the defined benefit obligation for insurance employees	-	(5 044)
Negative past service costs	-	(21 813)
Exchange differences and other	(2 719)	(2 321)
Defined benefit obligation as at 31 December	**1 346 009**	**1 240 302**

In accordance with the labour agreement for the insurance employees, in force since 1 January 2013, a curtailment of the defined benefit plan has been determined and a defined contribution plan has been established. The related defined benefit obligation recognised as at 31 December 2012 was settled by the fund's through an initial contribution to the defined contribution plan.

During the year ended 31 December 2012, following the amendment to Decree Law 133/2012 which determines the calculation method for the death allowance, there was a reduction on the defined benefit obligation with this benefit, in the amount of euro 21.8 million, which qualifies as a negative past cost (a gain). On this basis and in accordance with the accounting policy described in Note 2.18, this gain should be recognized in the income statement during the vesting period. Considering that this benefit is already vested (given that the employee or retiree is entitled to the benefit in full without the need to comply with any service condition), the Group recognized the gain in the income statement.

Based on the position as at 31 December 2013, for certain changes in actuarial assumptions, the following impacts would occur:

- An increase in the discount rate by 25 basis points would reduce the benefit obligation by approximately euro 51 million; a decrease of equal magnitude would increase the benefit obligation by approximately euro 58 million;
- An increase of 25 basis points in the growth of salaries and pensions would increase the benefit obligation by approximately euro 62 million; a decrease of equal magnitude would reduce the benefit obligation by approximately euro 51 million;
- The use of mortality tables with increase of another year would increase the benefit obligation by approximately euro 44 million; with a reduction of one year the benefit obligation would decrease by approximately euro 37 million.

The change in the fair value of the plan assets in 2013 and 2012 is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Fair value of plan assets as at 1 January	**1 259 117**	**1 226 393**
Actual return on plan assets		
Expected return on plan assets	54 146	64 328
Actuarial gains/ (losses)	(37 250)	(82 946)
Group contributions	103 806	86 410
Plan participants' contributions	3 260	3 259
Pensions paid by the fund	(34 116)	(31 288)
Settlement of the defined benefit obligation for insurance employees	-	(5 044)
Exchange differences and other	(2 944)	(1 995)
Fair value of plan assets as at 31 December	**1 346 019**	**1 259 117**

On the presumption that actuarial and financial assumptions used in 2013 for the calculation of the defined benefit obligation are verified, the Group does not anticipate the need to make significant additional contributions for the pension fund in 2014.

Pension fund assets are analysed as follows:

	31.12.2013	31.12.2012
Shares and other variable income securities	22%	15%
Fixed income securities	25%	27%
Real estate	32%	30%
Other	21%	28%
	100%	**100%**

The real estate assets rented to the Group and securities issued by Group companies which are part of the pension fund assets are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Shares and other variable income securities	2 925	1 200
Fixed income securities	1 839	6 603
Real estate	227 469	298 022
Total	**232 233**	**305 825**

As at 31 December 2013 and 2012, the fund holds participation units of ES Ventures III Fund, which is fully consolidated in the Group.

During the year ended 31 December 2012 the Group acquired 49 779 and 37 115 thousand units of Fungere Fund and Fungepi Fund to the Group pensions funds, by an amount of euro 158.1 million and euro 87.2 million, respectively (see Note 49).

The changes in the remeasurements recognised in other comprehensive income in 2013 and 2012 are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Remeasurements recognised in other comprehensive income as at 1 January	**1 089 323**	**899 844**
Remeasurements:		
- changes in actuarial assumptions	94 593	65 148
- experience adjustments	12 609	125 012
Other	(72)	(681)
Remeasurements recognised in other comprehensive income as at 31 December	**1 196 453**	**1 089 323**

The net benefit cost can be analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Service cost	13 659	14 325
Net interest expense / (income)	1 629	(5 334)
Other	1 167	(212)
Net benefit cost	**16 455**	**8 779**

In accordance with the accounting policy described in Note 2.18, since 1 January 2013, due to the change in IAS 19 – Employee Benefits, the net interest expense/ income is recognised in the income statement under Interest and similar income or Interest expense and similar charges, as applicable.

The changes in the assets recognised in the balance sheet can be analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**18 815**	**109 299**
Net periodic benefit cost	(16 455)	(8 779)
Negative past service cost	-	21 813
Remeasurements recognised on other comprehensive income	(107 130)	(189 479)
Contributions of the year and pensions paid by the Group	103 910	86 528
Other	870	(567)
Balance as at 31 December	**10**	**18 815**

Historical information regarding pension plan is as follows:

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
			(in thousands of euro)			
Defined benefit obligation	(1 346 009)	(1 240 302)	(1 117 094)	(2 250 196)	(2 172 293)	(2 110 400)
Fair value of plan asssets	1 346 019	1 259 117	1 226 393	2 250 218	2 244 926	2 101 305
(Un)/over funded liabilities	**10**	**18 815**	**109 299**	**22**	**72 633**	**(9 095)**
(Gains)/losses from experience adjustments arising on defined benefit obligation	(24 641)	42 006	(115 022)	24 639	51 958	23 855
(Gains)/losses from experience adjustments arising on plan assets	37 250	82 946	270 146	68 387	(92 351)	733 639

Stock options plan

On 1 October 2008, the Company established a stock-option plan that entitles key management personnel to purchase ESFG shares. Alternatively, the Company may settle these options in cash by an amount equivalent to the appreciation of ESFG share market price above the exercise price. Under the program, the Company may grant options to its employees up to 3 000 000 ordinary shares. The exercise price of each option equals the market price of ESFG share on the date of grant and an option's maximum term is of 10 years. Options are granted at the discretion of the Board of Directors and have a vesting period of 1 year.

As at 31 December 2013, all options under the plan have vested.

Considering the terms and conditions of the plan and ESFG's informal practices of settling the options granted to employees in cash, it is accounted for as cash-settled share-based payment arrangement, in accordance with the accounting policy described in Note 2.18.

The number and weighted average exercise prices of share options are as follows:

	31.12.2013		31.12.2012	
	Weighted average exercise price (in Euro)	Number of options	Weighted average exercise price (in Euro)	Number of options
Outstanding as at 1 January	13.20	2 650 000	13.20	2 650 000
Outstanding as at 31 December	**13.20**	**2 650 000**	**13.20**	**2 650 000**
Exercisable as at 31 December	**13.20**	**2 650 000**	**13.20**	**2 650 000**

The options outstanding at 31 December 2013 have a remaining contractual life of approximately 5 years (31 December 2012: 6 years).

The plans' initial fair value was calculated using an option valuation model with the following assumptions:

Initial reference date	01.10.2008
Final reference date	01.10.2018
Number of options	2 940 000
Exercise price (in EUR)	13.20
Interest rate	4.27%
Initial spot price (in EUR)	10.33
Volatility	26.47%
Initial fair value of the plan (in thousands)	4 783

The assumptions used in the valuation of the outstanding options as at 31 December 2013 and 2012 were the following:

	31.12.2013	31.12.2012
Initial reference date	01.10.2008	01.10.2008
Final reference date	01.10.2018	01.10.2018
Number of options	2 650 000	2 650 000
Exercise price (in EUR)	13.20	13.20
Interest rate	1.24%	0.94%
Spot price (in EUR)	4.86	5.26
Volatility	15.47%	24.34%

In accordance with the accounting policy described in Note 2.18, the initial fair value of the plan, amounting to euro 4 783 thousand, was recognised during the 12 month-period comprised between the grant date and its first anniversary. In 2013 change in the plans' fair value of the benefit granted to employees has been recognised in the income statement, as a decrease in staff costs, for an amount of euro 183 thousand (31 December 2012: euro 97 thousand increase in staff costs).

The fair value of the liability recognised is remeasured at the balance sheet date, amounting as at 31 December 2013 to euro 2 thousand (2012: euro 185 thousand) (see Note 44).

Variable remuneration payment plan on financial instruments (PRVIF)

Following the recommendations of the Supervising and Regulatory authorities, on the BES shareholders General Meeting, held in 6 April 2011 it was approved a new remuneration policy for the Executive Committee members. This policy consists in giving to the Executive Committee members a fixed remuneration, which should represent approximately 45% of the total remuneration, and a variable component representing around 55% of the total remuneration. The variable remuneration shall have two components: one associated with short-term performance and another with medium-term performance. Half of the short-term component must be paid in cash and the remaining 50% should be paid over a three years period, with half of these payments to be made in cash and the remaining through the attribution of shares. The medium-term component has associated a share options program with the exercise of the options set at 3 years from the date of its attribution.

Regarding the first scheme, the attribution of PRVIF shares to the beneficiaries is performed on a deferred basis over a period of three years (1st year: 33%; 2nd year: 33% and 3rd year: 34%) and is subject to the achievement of a Return on Equity (ROE) greater than or equal to 5%.

Regarding the attribution of options to the beneficiaries is also performed by the Remuneration Committee, and the exercise price is equal to the single average of the closing prices of BES shares on NYSE Euronext Lisbon during the 20 days preceding the day of attribution of the options, plus 10%. The option can only be exercised at maturity and the beneficiary may choose between the physical settlement or the financial settlement of the options.

The plans' initial fair value was calculated using an option valuation model with the following assumptions:

	1st attribution	**2nd attribution**
Initial reference date	12.04.2011	12.10.2012
Final reference date	31.03.2014	15.01.2016
Rights granted to employees	2 250 000	6 280 045
Reference price (in EUR)	3.47	0.67
Interest rate	2.31%	0.67%
Volatility	40.0%	65.0%
Initial fair value of the plan (in thousands of euro)	1 130	1 940

PRVIF is accounted for in accordance with the applicable IFRS rules (IFRS 2 and IAS 19). During 2013, the Group registered, against liabilities, a cost of euro 925 thousand (31 December 2012: euro 489 thousand) related to the amortization of the initial options premium granted.

Long term service benefits

As referred in Note 2.18, for employees that achieve certain years of service, the Group pays long term service premiums, calculated based on the effective monthly remuneration earned at the date the premiums are due. At the date of early retirement or disability, employees have the right to a premium proportional to that they would earn if they remained in service until the next payment date.

As at 31 December 2013 and 2012, the Group's liabilities regarding these benefits amount to euro 30 376 thousand and euro 28 691 thousand, respectively (see Note 44). The costs incurred in the year with long term service benefits amounted to euro 4 560 thousand (31 December 2012: euro 3 002 thousand) (see Note 13).

The actuarial assumptions used in the calculation of the liabilities are those presented for the calculation of pensions (when applicable).

NOTE 15 - GENERAL AND ADMINISTRATIVE EXPENSES

This balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Rental costs	85 261	80 804
Communication costs	47 966	50 190
Traveling and representation costs	38 437	39 752
Advertising costs	39 436	42 848
Maintenance and related services	29 353	27 656
Insurance costs	10 276	8 711
Specialised services		
IT services	67 329	70 617
Professional services	21 351	15 928
Temporary work	5 146	5 550
Electronic payment system	10 172	11 711
Legal costs	23 008	20 910
Consultants and external auditors	33 844	32 198
Other specialised services	3 033	3 756
Water, energy & fuel	14 044	13 491
Current consumption material	5 376	5 726
Transports	7 538	7 899
Other costs	76 506	65 013
	518 076	**502 760**

The balance "Other specialised services" includes, among others, costs with security, information services and databases. The balance "Other costs" includes costs with training and external suppliers.

The fees billed to the Company by KPMG Luxembourg S.à r.l. and other member firms of the KPMG network ("KPMG") during the year are analysed as follows (excluding VAT):

	31.12.2013	31.12.2012
	(in thousands of euro)	
Audit fees	3 708	3 786
Audit related fees	1 871	1 508
	5 579	5 294
Tax consultancy services	644	773
Other services	688	504
	6 911	**6 571**

The outstanding lease instalments related to the non-cancellable operational lease contracts are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 1 year	2 803	8 903
1 to 5 years	11 263	10 451
	14 066	**19 354**

NOTE 16 - CLAIMS INCURRED, NET OF REINSURANCE

Claims incurred, net of reinsurance are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Claims incurred for the life business	301 490	434 248
Claims incurred for the non-life business	181 728	197 695
	483 218	**631 943**

Concerning the life business, the claims incurred, net of reinsurance are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Claims paid		
Gross amount	304 724	439 480
Reinsurance share	(14 388)	(3 239)
	290 336	**436 241**
Change in claims outstanding reserve		
Gross amount	12 938	(1 532)
Reinsurance share	(1 784)	(461)
	11 154	**(1 993)**
	301 490	**434 248**

Concerning the non-life business, the claims incurred, net of reinsurance are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Claims paid		
Gross amount	234 802	224 071
Reinsurance share	(22 957)	(14 527)
	211 845	209 544
Change in claims outstanding reserve		
Gross amount	(30 855)	(6 851)
Reinsurance share	738	(4 998)
	(30 117)	(11 849)
	181 728	**197 695**

The gross amount of claims paid and change in claims reserve for the non-life business are as follows:

	31.12.2013			31.12.2012		
	Claims paid	Change in claims reserve	Total	Claims paid	Change in claims reserve	Total
			(in thousands of euro)			
Direct business						
Accident and health	73 335	13 335	86 670	75 145	7 108	82 253
Fire and other hazards	44 134	(8 149)	35 985	28 957	12 403	41 360
Motor	109 603	(35 617)	73 986	111 609	(28 283)	83 326
Maritime, airline and transportation	2 562	134	2 696	3 124	(175)	2 949
Third party liability	3 437	(1 897)	1 540	4 085	1 966	6 051
Credit and suretyship	23	(38)	(15)	(13)	44	31
Other	1 361	1 401	2 762	1 159	27	1 186
Reinsurance accepted	347	(24)	323	5	59	64
Total	**234 802**	**(30 855)**	**203 947**	**224 071**	**(6 851)**	**217 220**

NOTE 17 - CHANGE IN THE TECHNICAL RESERVES, NET OF REINSURANCE

The change in the technical reserves, net of reinsurance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Life business	150 757	(333 638)
Non-life business	2 574	(3 022)
	153 331	**(336 660)**

Concerning the life business, the changes in the technical reserves are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Change in life assurance reserve		
Gross amount	154 689	(332 486)
Reinsurance share	(1)	402
	154 688	(332 084)
Reserve for bonus and rebates		
Gross amount	3 719	4 623
Reinsurance share	(8 395)	(3 213)
	(4 676)	1 410
Change in other life insurance reserve		
Gross amount	745	(2 964)
	745	(2 964)
	150 757	**(333 638)**

Concerning the non-life business, the changes on the technical reserves are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Change in non life insurance reserve		
Change in unexpired risk reserve	2 574	(3 022)
	2 574	**(3 022)**

NOTE 18 - INSURANCE COMMISSIONS

The insurance commissions are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Direct insurance commissions		
Acquisition commissions and other costs	43 739	45 295
Change in deferred acquisition costs	733	567
Collection commissions	1 912	1 959
Reinsurance commissions (a)	(198 640)	(8 565)
	(152 256)	**39 256**

(a) Commissions and reinsurance profit sharing includes the net upfront fee, resulting from the signing of a reinsurance treaty in which BES Vida reinsures the life insurance risk portfolio at 100%, including all insurance policies in force as at 30 June 2013.

From this date, BES Vida will cede to the reinsurer all premiums and claims associated with the policies included in this treaty. The Company will perform the servicing of these contracts, as well as the distribution of the respective products.

Under this treaty, BES Vida received an upfront fee, having transferred all the risks and benefits associated with these contracts. On that basis, the risk of (i) life, (ii) disability, and (iii) cancellation of contracts were transferred. As such the upfront fee is recognized on the present date, net of the respective in force value of the portfolio recognized as an asset, at the date of acquisition of BES Vida (see Notes 32 and 55).

NOTE 19 - EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share, is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	31.12.2013	31.12.2012
	(in thousands of euro)	
Consolidated result attributable to equity holders of the Company	(864 031)	313 633
(-) Dividends on preference shares	(5 169)	(5 965)
(-) Remuneration of perpetual bonds	(600)	(519)
(+) Realized gains and losses recognized in Reserves	3 481	11 524
Adjusted consolidated result attributable to equity holders of the Company	**(866 319)**	**318 673**
Average number of oustanding shares	207 075 338	174 813 327
Average number of treasury shares	(2 179 856)	(3 736 030)
Average number of shares in circulation	204 895 482	171 077 298
Basic earnings per share attributable to the equity holders of the Company (in euro)	(4.23)	1.86
Basic earnings per share from continuing operations attributable to the equity holders of the Company (in euro)	(4.19)	1.91

The weighted average number of shares outstanding was calculated taking in consideration the capital increase occurred in the year as described in Note 45.

Diluted earnings per share

The diluted earnings per share is calculated considering the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

The diluted earnings per share are not different from the basic earnings per share.

NOTE 20 - CASH AND DEPOSITS AT CENTRAL BANKS

As at 31 December 2013 and 2012, this balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Cash	289 349	304 410
Deposits at central banks		
Bank of Portugal	32 414	26 799
Other central banks	1 506 911	1 113 622
	1 539 325	1 140 421
	1 828 674	**1 444 831**

The deposits at Central Banks include mandatory deposits intended to satisfy legal minimum cash requirements, for an amount of euro 496 582 thousand (31 December 2012: euro 39 599 thousand). According to the European Central Bank Regulation no. 1348/2011, of 14 December 2011, minimum cash requirements kept as deposits with the Bank of Portugal earn interest and correspond to 1% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks' minimum reserves requirements. During 2013, these deposits have earned interest at an average rate of 0.55% (2012: 0.89%).

The fulfilment of the minimum cash requirements for a given period of observation is monitored taking into account the value of bank deposits with the Bank of Portugal during the referred period. The balance of the bank account with the Bank of Portugal as at 31 December 2013, was included in the observation period from 11 December 2013 to 14 January 2014, which corresponded to an average minimum cash requirements of euro 265.1 million.

NOTE 21 - DEPOSITS WITH BANKS

As at 31 December 2013 and 2012, this balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Deposits with banks in Portugal		
Repayable on demand	214 761	371 794
Uncollected cheques	85 164	107 354
Other	73 552	57 010
	373 477	536 158
Deposits with banks abroad		
Repayable on demand	740 603	547 823
Uncollected cheques	3 564	8 962
Other	31 290	33 910
	775 457	590 695
	1 148 934	**1 126 853**

Uncollected cheques in Portugal and abroad were sent for collection during the first working days following the reference dates.

Other deposits with banks, in Portugal and abroad, mature within 3 months.

Deposits with banks include the amount of euro 173 426 thousand (31 December 2012: euro 195 586 thousand) related to deposits held by securitisation vehicles consolidated by the Group and that collateralise the debt issued in the scope of the respective securitisation transactions (see Note 1).

NOTE 22 - FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

As at 31 December 2013 and 2012, this balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Issued by government and public entities	955 951	1 395 583
Issued by other entities	105 279	265 057
Shares	30 963	52 281
Other variable income securities	1 701	2 181
	1 093 894	1 715 102
Derivatives		
Derivative financial instruments with positive fair value	1 394 571	2 266 743
	2 488 465	**3 981 845**
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	1 322 284	2 123 429
Short selling	14 484	796
	1 336 768	**2 124 225**

During the year 2008, the Group has reclassified from financial assets held for trading an amount of euro 244 530 thousand to held-to-maturity investments (see Note 27), following an amendment to IAS 39 Financial Instruments: Recognition and Measurement issued in October 2008 and adopted by the European Union in that year.

As at 31 December 2013 and 2012, the amounts that would have been recognised in the year if the reclassifications were not made are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Net gains / (losses) from financial assets and financial liabilities at fair value through profit or loss	(217)	947
Tax effect	147	(73)
	(70)	**874**

As at 31 December 2013 and 2012 the analysis of the securities held for trading by the period to maturity, is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	42 034	139 663
3 to 12 months	106 046	173 705
1 to 5 years	611 659	765 803
More than 5 years	301 485	577 774
Undetermined	32 670	58 157
	1 093 894	**1 715 102**

In accordance with the accounting policy described in Note 2.6, securities held for trading are those which are bought to be traded in the short-term, regardless of their maturity.

The balance Financial assets held for trading includes securities pledged as collateral by the Group as described in Note 47.

As at 31 December 2013 and 2012, the exposure to peripheral Euro zone countries public debt is analysed in Note 53.

Regarding quoted and unquoted securities, the balance financial assets held for trading is as follows:

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
			(in thousands of euro)			
Bonds and other fixed income securities						
Issued by government and public entities	955 951	-	955 951	1 349 507	46 076	1 395 583
Issued by other entities	85 283	19 996	105 279	100 506	164 551	265 057
Shares	30 894	69	30 963	40 505	11 776	52 281
Other variable income securities	1 598	103	1 701	2 181	-	2 181
	1 073 726	**20 168**	**1 093 894**	**1 492 699**	**222 403**	**1 715 102**

Valuation techniques are described in Note 52.

As at 31 December 2013 and 2012, derivative financial instruments can be analysed as follows:

	31.12.2013			31.12.2012		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
	(in thousands of euro)					
Exchange rate contracts						
Forward						
- buy	2 019 187	25 972	10 152	1 356 880	7 688	12 871
- sell	1 863 106			1 226 020		
Currency Swaps						
- buy	1 561 513	1 757	2 198	3 070 568	1 971	2 019
- sell	1 638 391			3 352 944		
Currency Futures	2 771 168	-	-	278 317	-	-
Currency Interest Rate Swaps						
- buy	61 108	14 945	12 839	118 945	25 690	18 343
- sell	63 040			115 406		
Currency Options	2 813 981	27 316	25 144	2 414 534	41 437	46 868
	12 791 494	69 990	50 333	11 933 614	76 786	80 101
Interest rate contracts						
Forward Rate Agreements	310 000	79	-	200 000	-	16
Interest Rate Swaps	24 204 535	1 202 350	1 070 130	31 000 725	1 954 185	1 814 293
Swaption - Interest Rate Options	2 000	28 286	-	363 000	1 556	1 556
Interest Rate Caps & Floors	3 378 746	-	26 877	4 918 557	40 843	38 562
Interest Rate Futures	4 436 679	-	-	3 784 771	-	-
Interest Rate Options	870 288	330	328	1 903 388	1 341	1 341
	33 202 248	1 231 045	1 097 335	42 170 441	1 997 925	1 855 768
Equity/Index contracts						
Equity / Index Swaps	581 628	23 273	42 538	664 516	86 202	24 936
Equity / Index Options	1 107 223	35 423	113 691	2 715 219	60 917	131 146
Equity / Index Futures	53 113	-	-	96 583	-	-
Future Options	395 420	-	-	82 234	-	-
	2 137 384	58 696	156 229	3 558 552	147 119	156 082
Credit default contracts						
Credit Default Swaps	1 264 196	34 840	18 387	2 774 779	44 913	31 478
	49 395 322	**1 394 571**	**1 322 284**	**60 437 386**	**2 266 743**	**2 123 429**

As at 31 December 2013 the fair value of derivative financial instruments included the amount of euro 4.2 million (asset) (31 December 2012: asset for an amount of euro 21.1 million) related to the positive fair value of the embedded derivatives, as described in Note 2.4.

As at 31 December 2013 and 2012, the analysis of trading derivatives by the period to maturity is presented as follows:

	31.12.2013		31.12.2012	
	Notional	Fair value	Notional	Fair value
	(in thousands of euro)			
Up to 3 months	9 360 505	(25 628)	13 785 652	71 751
From 3 to 12 months	7 894 937	17 071	10 093 874	(46 802)
From 1 to 5 years	16 739 075	(15 908)	19 007 557	21 130
More than 5 years	15 400 805	96 752	17 550 303	97 235
	49 395 322	**72 287**	**60 437 386**	**143 314**

NOTE 23 - OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2013 and 2012, this balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Bonds and other fixed income securities		
Issued by government and public entities	1 234 847	516 859
Issued by other entities	1 229 467	956 370
Other variable income securities	1 099 804	1 130 234
	3 564 118	**2 603 463**

In light of IAS 39 and in accordance with the accounting policy described in Note 2.6, the Group designated these financial assets as at fair value through profit or loss, in accordance with the documented risk management and investment strategy, considering that these financial assets (i) are managed and evaluated on a fair value basis and/or (ii) have embedded derivatives.

As at 31 December 2013 and 2012, the analysis of the financial assets at fair value through profit or loss by the period to maturity is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	599 455	355 219
3 to 12 months	1 029 134	203 772
1 to 5 years	335 141	226 286
More than 5 years	522 334	738 358
Undetermined	1 078 054	1 079 828
	3 564 118	**2 603 463**

Regarding quoted or unquoted securities, the balance financial assets at fair value through profit or loss, is presented as follows:

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
			(in thousands of euro)			
Bonds and other fixed income securities						
Issued by government and public entities	1 234 847	-	1 234 847	516 859	-	516 859
Issued by other entities	493 999	735 468	1 229 467	240 984	715 386	956 370
Shares and other variable income securities	620 293	479 511	1 099 804	566 440	563 794	1 130 234
	2 349 139	**1 214 979**	**3 564 118**	**1 324 283**	**1 279 180**	**2 603 463**

NOTE 24 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2013 and 2012, this balance is analysed as follows:

	Cost (1)	Fair value reserve		Impairment	Book value
		Positive	Negative		
		(in thousands of euro)			
Bonds and other fixed income securities					
Issue by government and public entities	4 098 171	26 568	(24 942)	-	4 099 797
Issue by others entities	2 255 951	61 187	(44 473)	(33 953)	2 238 712
Shares	1 394 322	83 075	(84 184)	(213 501)	1 179 712
Other securities	1 472 944	18 353	(9 149)	(70 591)	1 411 557
Balance as at 31 December 2013	**9 221 388**	**189 183**	**(162 748)**	**(318 045)**	**8 929 778**
Bonds and other fixed income securities					
Issue by government and public entities	4 297 879	201 930	(1 801)	(11)	4 497 997
Issue by others entities	4 273 021	62 357	(91 219)	(18 208)	4 225 951
Shares	1 557 620	82 412	(59 579)	(200 299)	1 380 154
Other securities	961 638	16 562	(5 444)	(35 623)	937 133
Balance as at 31 December 2012	**11 090 158**	**363 261**	**(158 043)**	**(254 141)**	**11 041 235**

(1) Acquisition cost relating to shares and other variable income securities and amortised cost relating to debt securities.

As at 31 December 2013, the exposure to debt of peripheral countries in the euro area is analysed in Note 53.

The balance Available-for-sale financial assets includes securities pledged as collateral by the Group as described in Note 47.

During the year 2008, the Group has reclassified from available-for-sale financial assets an amount of euro 522 715 thousand to held-to-maturity investments (see Note 27), following an amendment to IAS 39 Financial Instruments: Recognition and Measurement issued in October 2008 and adopted by the European Union in that year.

As at 31 December 2013 and 2012, the amounts that would have been recognised in the year if the reclassifications were not made are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Net change in fair value reserve	(1 014)	(3 780)
Tax effect	294	1 191
	(720)	**(2 589)**

During the second quarter of 2011, taking in consideration the new solvency rules applicable to the insurance industry in Portugal, in-force from 1 January 2011, the insurance entities of the Group have reclassified from available-for-sale financial assets an amount of euro 150 253 thousand to held-to-maturity investments (see Note 27), in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

As at 31 December 2013 and 2012, the amounts that would have been recognised in the year if the reclassifications were not made are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Net change in fair value reserve	22 090	18 901
Tax effect	(6 406)	(5 481)
	15 684	**13 420**

In accordance with the accounting policy described in Note 2.6, the Group assesses periodically whether there is objective evidence of impairment on the available-for-sale financial assets, following the judgment criteria's described in Note 3.1.

The changes occurred in impairment losses of available-for-sale financial assets are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**254 141**	**192 073**
Charge for the year	121 608	103 261
Charge off	(44 300)	(36 163)
Write back for the year	(11 178)	(3 943)
Exchange differences and other	(2 226)	(1 087)
Balance as at 31 December	**318 045**	**254 141**

As at 31 December 2013 and 2012, the analysis of available-for-sale assets by the period to maturity is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	1 284 223	2 841 838
From 3 to 12 months	729 897	1 244 222
From 1 to 5 years	1 681 503	1 475 813
More than 5 years	2 688 229	3 188 324
Undetermined	2 545 926	2 291 038
	8 929 778	11 041 235

The main equity exposures that contribute to the fair value reserve, as at 31 December 2013 and 2012, can be analysed as follows:

31.12.2013

	Amortised cost	Fair value reserve		Impairment	Market value
		Positive	Negative		
		(in thousands of euro)			
Portugal Telecom	346 678	-	(62 407)	(37)	284 234
EDP	20 121	4 999	-	-	25 120
Banque Marocaine du Commerce Extérieur	81 004	2 424	-	-	83 428
	447 803	7 423	(62 407)	(37)	392 782

31.12.2012

	Amortised cost	Fair value reserve		Impairment	Market value
		Positive	Negative		
		(in thousands of euro)			
Portugal Telecom	346 637	-	(10 757)	-	335 880
EDP	173 826	24 447	-	-	198 273
Banque Marocaine du Commerce Extérieur	81 004	-	(15 813)	-	65 191
	601 467	24 447	(26 570)	-	599 344

During the year ended 31 December 2013, the Group sold at market prices 77.4 million ordinary shares of EDP, which generated a realised net gain of euro 53.7 million (euro 14.7 million net of non-controlling interest) (see Note 8).

During the year ended 31 December 2012, the Group sold at market prices 96.4 million ordinary shares of EDP and 260.7 million ordinary shares of Portugal Telecom. These transactions generated a realised net loss of euro 224.9 million (euro 61.5 million net of non-controlling interest) (see Note 8).

Following the market transactions with Portugal Telecom shares, the portfolio average price has reduced significantly. The unrealised losses presented in the fair value reserve at year end, represent a recent decline in value that occurred after the Group having recognised positive fair value reserves in the first and second quarter of 2013. The unrealised losses recorded at year end represent 18% of the investment.

The analysis of the available-for-sale financial assets by quoted and unquoted securities, is presented as follows:

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
			(in thousands of euro)			
Securities						
Bonds and other fixed income securities						
Issue by government and public entities	2 960 469	1 139 328	4 099 797	3 204 546	1 293 451	4 497 997
Issue by other entities	932 457	1 306 255	2 238 712	998 414	3 227 537	4 225 951
Shares	541 885	637 827	1 179 712	788 266	591 888	1 380 154
Other variable income securities	707 943	703 614	1 411 557	376 659	560 474	937 133
	5 142 754	3 787 024	8 929 778	5 367 885	5 673 350	11 041 235

Valuation techniques have been disclosed in Note 52.

NOTE 25 - LOANS AND ADVANCES TO BANKS

As at 31 December 2013 and 2012 this balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Loans and advances to banks in Portugal		
Deposit to Bank of Portugal	3 987 961	3 350 000
Deposits	169 508	44 372
Loans	20 037	127 581
Very short term deposits	-	34 085
Other loans and advances	1 165	84 474
	4 178 671	3 640 512
Loans and advances to banks abroad		
Deposits	101 421	271 281
Loans	457 978	533 798
Very short term deposits	12 976	32 696
Other loans and advances	77 014	70 324
	649 389	908 099
Overdue loans and interest	398	398
	4 828 458	4 549 009
Impairment losses	(668)	(762)
	4 827 790	**4 548 247**

The main loans and advances to banks in Portugal, as at 31 December 2013 bear interest at an average annual interest rate of 1.46% (31 December 2012: 1.73%). Loans and advances to banks abroad bear interest at an average annual interest rate of 0.24% (31 December 2012: 0.88%).

As at 31 December 2013 and 2012, the analysis of loans and advances to banks by the period to maturity is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	4 508 241	4 178 481
3 to 12 months	225 381	96 657
1 to 5 years	27 569	79 623
More than 5 years	66 867	193 777
Undetermined	400	471
	4 828 458	**4 549 009**

The changes occurred during the year in impairment losses of loans and advances to banks are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**762**	**617**
Charge for the year	306	1 366
Write back for the year	(386)	(1 207)
Exchange differences and other	(14)	(14)
Balance as at 31 December	**668**	**762**

NOTE 26 - LOANS AND ADVANCES TO CUSTOMERS

As at 31 December 2013 and 2012, this balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Domestic loans		
Corporate		
Loans	12 946 588	12 675 007
Commercial lines of credits	4 635 722	5 247 361
Finance leases	2 215 135	2 560 541
Discounted bills	306 776	454 624
Factoring	1 048 434	1 412 114
Overdrafts	53 618	78 057
Other loans	154 406	102 193
Retail		
Mortgage loans	9 693 399	10 067 167
Consumer and other loans	1 509 100	1 750 980
	32 563 178	34 348 044
Foreign loans		
Corporate		
Loans	11 636 269	11 130 067
Commercial lines of credits	2 061 420	2 181 087
Discounted bills	87 107	145 877
Finance leases	62 424	69 732
Overdrafts	910 599	679 516
Other loans	457 106	795 230
Retail		
Mortgage loans	1 012 412	964 525
Consumer and other loans	825 057	831 483
	17 052 394	16 797 517
Overdue loans and interest		
Up to 3 months	254 551	293 307
From 3 months to 12 months	713 612	608 171
From 1 to 3 years	1 357 024	793 912
More than 3 years	775 983	586 553
	3 101 170	2 281 943
	52 716 742	53 427 504
Impairment losses	(3 446 075)	(2 734 626)
	49 270 667	**50 692 878**

As at 31 December 2013, the balance loans and advances to customers (net of impairment) includes an amount of euro 3 253.5 million (31 December 2012: euro 3 803.3 million) related to securitised loans following the consolidation of the securitisation entities (see Note 50), according to the accounting policy described in Note 2.2. The liabilities related to these securitisations are booked under Debt securities issued (see Notes 39 and 50).

As at 31 December 2013, loans and advances include euro 5 552.6 million of mortgage loans that collateralise the issue of covered bonds (31 December 2012: euro 5 605.1 million) (see Note 39).

The fair value of loans and advances to customers is presented in Note 52.

As at 31 December 2013, loans and advances include a portfolio of loans granted which are under a sovereign guarantee, in the amount of euro 4 133 million.

As at 31 December 2013 and 2012, the analysis of loans and advances to customers by the period to maturity is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	8 107 983	9 234 034
3 to 12 months	6 465 614	6 824 493
1 to 5 years	10 722 354	10 602 697
More than 5 years	24 319 621	24 484 337
Undetermined	3 101 170	2 281 943
	52 716 742	**53 427 504**

The changes occurred in impairment losses of loans and advances to customers are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**2 734 626**	**2 212 144**
Charge of the year	1 462 574	1 021 570
Charge off	(211 811)	(212 173)
Amounts recovered during the year previously charged-off	21 063	21 900
Write back of the year	(457 281)	(227 279)
Unwind of discount	(103 082)	(78 290)
Exchange differences and others	(14)	(3 246)
Balance as at 31 December	**3 446 075**	**2 734 626**

The unwind of discount represents the interest on overdue loans, recognised as interest and similar income, as impairment losses are calculated using the discounted cash flows method.

As at 31 December 2013 and 2012, loans and advances to customers and impairment losses can be analysed as follows:

	31.12.2013						
	Loans with impairment losses calculated on an individual basis		Loans with impairment losses calculated on a portfolio basis		Total		
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment	Net amount
	(in thousands of euro)						
Corporate loans	13 547 509	2 869 601	25 806 654	181 726	39 354 163	3 051 327	36 302 836
Mortgage loans	2 348 771	175 325	8 465 955	10 538	10 814 726	185 863	10 628 863
Consumer and other loans	599 765	199 316	1 948 088	9 569	2 547 853	208 885	2 338 968
Total	16 496 045	3 244 242	36 220 697	201 833	52 716 742	3 446 075	49 270 667

	31.12.2012						
	Loans with impairment losses calculated on an individual basis		Loans with impairment losses calculated on a portfolio basis		Total		
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment	Net amount
	(in thousands of euro)						
Corporate loans	12 617 103	2 231 936	26 898 334	150 917	39 515 437	2 382 853	37 132 584
Mortgage loans	2 362 525	160 135	8 771 297	6 884	11 133 822	167 019	10 966 803
Consumer and other loans	587 892	172 563	2 190 353	12 191	2 778 245	184 754	2 593 491
Total	15 567 520	2 564 634	37 859 984	169 992	53 427 504	2 734 626	50 692 878

The impairment calculated on an individual basis corresponds to the impairment related to loans with objective evidence of impairment and to loans classified as "Higher Credit Risk". The objective evidence of impairment occurs when there is a default event, i.e., from the moment that a significant change occurs in the lender-borrower relationship and the lender is subject to a loss. The "Higher Credit Risk" corresponds to loans without objective evidence of impairment but that present higher risk signs (e.g. customers with overdue loans for more than 30 days and less than 90 days; litigations; higher risk rating / scoring; allocated to the Companies Monitoring Department; and restructured loans due to financial difficulties of the borrower and which are not classified as default).

The interest recognised as interest and similar income during the year ended 31 December 2013 in relation to these loans amounted to euro 717.9 million (31 December 2012: euro 825.4 million), which includes the effect of the unwind of discount in connection with overdue loans.

As at 31 December 2013, loans and advances, excluding overdue loans and interest, includes euro 282 696 thousand of renegotiated loans (31 December 2012: euro 221 416 thousand). At the same date, the impairment regarding these renegotiated loans amounted to euro 6 190 thousand (31 December 2012: euro 16 363 thousand). The related interest recognized in the income statement amounted to euro 10 950 thousand (31 December 2012: euro 9 940 thousand).

The Group requires that some credit operations be collateralised, in order to mitigate credit risk. The more common types of collateral held are mortgages and securities. The fair value of these collaterals is determined at the date the loan is advanced to customers, being periodically updated when the credit is classified as having an impairment trigger. The periodicity of the update considers the risk and size of each loan.

The collateral received regarding credit operations can be analysed as follows:

	31.12.2013		31.12.2012	
	Loan	Collateral fair value	Loan	Collateral fair value
	(in thousands of euro)			
Mortgage loans				
Mortgages	10 600 588	10 578 354	10 951 831	10 930 789
Pledges	3 691	3 512	4 739	4 570
Non-collateralized	210 447	-	177 252	-
	10 814 726	10 581 866	11 133 822	10 935 359
Retail loans				
Mortgages	305 840	287 164	310 561	291 897
Pledges	540 367	535 666	735 255	549 718
Non-collateralized	1 705 129	-	1 732 429	-
	2 551 336	822 830	2 778 245	841 615
Corporate loans				
Mortgages	9 593 792	8 553 238	9 812 810	9 122 921
Pledges	7 181 725	5 315 025	9 281 917	6 104 860
Non-collateralized	22 575 163	-	20 420 710	-
	39 350 680	13 868 263	39 515 437	15 227 781
Loans and advances to customers				
Mortgages	20 500 220	19 418 756	21 075 202	20 345 607
Pledges	7 725 783	5 854 203	10 021 911	6 659 148
Non-collateralized	24 490 739	-	22 330 391	-
	52 716 742	**25 272 959**	**53 427 504**	**27 004 755**

Under the contracts relating to collateral held, the Group cannot sell the underlying assets until these are acquired in exchange for loans. The terms and conditions of these contracts are in line with the market practice relating to credit granting.

The amounts relating to loans renegotiated due to financial difficulties of the borrower, are analysed as follows:

	31.12.2013
	(in thousands of euro)
Corporate	4 113 958
Mortgage loans	201 541
Consumer and other loans	115 445
Non-residents	1 415 421
	5 846 365

The Group carries out a renegotiation of a loan in order to maximize its recovery. A loan is renegotiated in accordance with selective criteria, based on the analysis of the overdue circumstances or when there is a high risk that the loan will became overdue, and the client has made a reasonable effort to fulfil the contractual conditions previously agreed and is expected to have the capacity to meet the new terms agreed. The renegotiation normally includes the maturity extension, changes in the payment dates defined and / or amendment of the contracts' covenants. Whenever possible, the renegotiation includes obtaining new collaterals. The renegotiated loans are still subject to an impairment analysis resulting from the revaluation of the new expected cash flows, based in the new contract terms, updated at the original effective interest rate and taking into account the new collaterals.

Loans and advances to customers by interest rate type are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Variable interest rate	41 581 173	43 417 949
Fixed interest rate	11 135 569	10 009 555
	52 716 742	**53 427 504**

An analysis of finance leases by the period to maturity is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Gross investment in finance leases, receivable		
Up to 1 year	364 545	432 202
From 1 to 5 years	1 022 263	1 130 447
More than 5 years	1 186 455	1 373 116
	2 573 263	2 935 765
Unearned finance income on finance leases		
Up to 1 year	61 705	68 859
From 1 to 5 years	136 182	157 217
More than 5 years	97 817	79 416
	295 704	305 492
Present value of minimum lease payments, receivable		
Up to 1 year	302 840	363 343
From 1 to 5 years	886 081	973 230
More than 5 years	1 088 638	1 293 700
	2 277 559	2 630 273
Impairment	(175 104)	(144 097)
	2 102 455	**2 486 176**

As at 31 December 2013 and 2012 there are no finance leases which represent individually more than 5% of the total minimum lease payments. There are no finance leases with contingent rents.

NOTE 27 - HELD-TO-MATURITY INVESTMENTS

The held-to-maturity investments, can be analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Bonds and other fixed income securities		
Issued by government and public entities	437 778	404 393
Issued by other entities	1 247 711	753 765
	1 685 489	**1 158 158**
Impairment losses	(13 421)	(39 111)
	1 672 068	**1 119 047**

As at 31 December 2013 and 2012, the analysis of held-to-maturity investments by the period to maturity is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	596 845	20 561
3 to 12 months	66 715	198 989
1 to 5 years	496 697	355 029
More than 5 years	525 232	583 579
	1 685 489	**1 158 158**

The analysis of the held-to-maturity investments by quoted and unquoted securities is presented as follows:

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	(in thousands of euro)					
Bonds and other fixed income securities						
Issued by government and public entities	435 277	2 501	437 778	401 800	2 593	404 393
Issued by other entities	208 735	1 038 976	1 247 711	233 033	520 732	753 765
	644 012	**1 041 477**	**1 685 489**	**634 833**	**523 325**	**1 158 158**

The changes occurred in impairment losses of held to maturity investments are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**39 111**	**34 278**
Charge of the year	-	7 260
Charge off	(25 317)	(2 429)
Write back for the year	(372)	-
Exchange differences and other	(1)	2
Balance as at 31 December	**13 421**	**39 111**

During the year ended 31 December 2008, the Group has reclassified non-derivative financial assets to the held-to-maturity investments category for an amount of euro 767.2 million, as follows:

	Acquisition cost	Reclassification date					Market value as at 31 December 2008	Amortisation of fair value reserve until 31.12.2013 c)
		Book value	Fair value reserve		Future cash-flows (a)	Effective interest rate (b)		
			Positive	Negative				
	(In thousands of euro)							
Available-for-sale financial assets	551 897	522 715	424	(29 607)	701 070	5,75%	485 831	26 774
Financial assets held-for-trading	243 114	244 530	-	-	408 976	11,50%	237 295	-
Bonds and other fixed income securities	**795 011**	**767 245**	**424**	**(29 607)**	**1 110 046**		**723 126**	**26 774**

a) Undiscounted capital and interest cash flows; future interest is calculated based on the forward interest rates at the date of reclassification.

b) Effective interest rate was calculated based on the forward interest rates at the date of reclassification; the maturity considered was the minimum between the call date, if applicable and the maturity date of the financial asset.

c) Amortisation in the year ended 31 December 2013 amount to euro 817 thousand (31 December 2012: euro 862 thousand).

The reclassification of financial assets held-for-trading as held-to-maturity investments was performed following the amendment to IAS 39 Financial instruments: recognition and measurement and IFRS 7 Financial instruments: disclosures, adopted by the Regulation (EU) nº 1004/2008 issued in 15 October 2008.

This reclassification was made due to the market conditions following the international financial crises that characterised the year 2008, which was considered to be one of the rare circumstances justifying the application of the amendment to IAS 39.

The effect in the 2013 financial statements that would have been recognised if the reclassifications were not made in 2008 is presented in Notes 22 and 24.

Following the publication by the Bank of Portugal, in May 2011 of Notice no. 3/2011, which has established new minimum levels for the Core Tier 1 ratio (9% at 31 December 2011 and 10% in 31 December 2012) and bearing in mind the need to achieve, from 2014 onwards, a stable funding ratio of 100%, according to the Memorandum of Economic and Financial Policies established between the Portuguese Government, the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF), the Group has decided during the second half of 2011 to sell a significant portion of the held-to-maturity investments portfolio. Under this decision, the securities to be sold were transferred to the available-for-sale financial assets portfolio and valued at market value.

Taking into account that the reclassification and subsequent sale of those securities is attributable to the significant increase in the industry regulatory capital requirements, it qualifies as an exception to the tainting rules as established under paragraph AG 22 of IAS 39 'Financial Instruments: Recognition and Measurement'. On these basis and once the Group has the intention and ability to hold the remaining securities until their maturity, they remained classified on the held-to-maturity investments portfolio.

The effects of the securities reclassification in the Group consolidated financial statements, at the transfer date, can be analysed as follows:

From held-to-maturity investments				To available-for-sale financial assets			
Acquisition cost	Fair value reserve (a)	Impairment	Balance	Acquisition cost	Fair value reserve	Impairment	Balance
584 923	(6 138)	(50)	578 735	584 923	(13 590)	(50)	571 283

(a) Remaining value of the fair value reserves at the transfer date for the held-to-maturity investments portfolio occurred with reference to 1 June 2008.

During the second quarter of 2011, taking in consideration the new solvency rules applicable to the insurance industry in Portugal, in-force from 1 January 2011, the insurance entities of the Group have reclassified from available-for-sale financial assets an amount of euro 150 253 thousand to held-to-maturity investments (see Note 24), in accordance with IAS 39 Financial Instruments: Recognition and Measurement, as follows:

	Acquisition cost	Reclassification date					Market value as at 31 December 2011	Amortisation of fair value reserve until 31.12.2013
		Book value	Fair value reserve		Future cash-flows (a)	Effective interest rate (b)		
			Positive	Negative				
			(in thousands of euro)					
Available-for-sale financial assets	172 337	150 253	-	(22 083)	210 964	9.09%	129 724	12 707
Bonds and other fixed income securities	**172 337**	**150 253**	**-**	**(22 083)**	**210 964**		**129 724**	**12 707**

a) Undiscounted capital and interest cash flows; future interest is calculated based on the forward interest rates at the date of reclassification.
b) Effective interest rate was calculated based on the forward interest rates at the date of reclassification; the maturity considered was the minimum between the call date, if applicable and the maturity date of the financial asset.

It should be noted that this reclassification was made exclusively taking in consideration the solvency rules applicable to the insurance industry and has no impact in terms of ESFG regulatory capital. In accordance with the Bank of Portugal rules, the investments held by ESFG in insurance subsidiaries, are measured for the purposes of the regulatory capital, in accordance with the equity method and are deducted from consolidated own funds as explained in Note 53.

NOTE 28 - DERIVATIVES FOR RISK MANAGEMENT PURPOSES

As at 31 December 2013 and 2012, the fair value of the derivatives for risk management purposes can be analysed as follows:

	31.12.2013			31.12.2012		
	Hedging derivatives	Other derivatives for risk management purposes	Total	Hedging derivatives	Other derivatives for risk management purposes	Total
	(In thousands of euro)					
Derivatives for risk management purposes						
Derivatives for risk management purposes - assets	131 641	231 750	363 391	153 897	362 623	516 520
Derivatives for risk management purposes - liabilities	(68 305)	(62 405)	(130 710)	(43 581)	(81 618)	(125 199)
	63 336	**169 345**	**232 681**	**110 316**	**281 005**	**391 321**
Accumulated change in the fair value component of assets and liabilities being hedged						
Financial assets						
Loans and advances to customers	43 102	-	43 102	22 391	-	22 391
	43 102	**-**	**43 102**	**22 391**	**-**	**22 391**
Financial liabilities						
Deposits from banks	(50 109)	1 331	(48 778)	(67 996)	-	(67 996)
Due to customers	(501)	(48 110)	(48 611)	(787)	(90 099)	(90 886)
Debt securities issued	(19 636)	(9 711)	(29 347)	(38 472)	47 631	9 159
	(70 246)	**(56 490)**	**(126 736)**	**(107 255)**	**(42 468)**	**(149 723)**
	(27 144)	**(56 490)**	**(83 634)**	**(84 864)**	**(42 468)**	**(127 332)**

As mentioned in the accounting policy described in Note 2.4, derivatives for risk management purposes includes hedging derivatives and derivatives contracted to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss (and that were not classified as hedging derivatives).

Hedging derivatives

As at 31 December 2013 and 2012, the fair value hedge relationships present the following features:

31.12.2013							
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative [2]	Changes in the fair value of the derivative in the year [1]	Accumulated changes in fair value of the hedged item [1]	Changes in the fair value of the hedged item in the year [1]
		(In thousands of euro)					
Interest Rate Swap/ Currency	Loans and advances to customers	Interest rate	608 738	(41 213)	(21 366)	43 102	20 827
Interest Rate Swap	Deposits from banks	Interest rate	174 000	54 137	(19 161)	(50 109)	17 887
Interest Rate Swap	Due to customers	Interest rate	4 417	2 176	(286)	(501)	286
Equity/Interest Rate Swap	Debt security issued	Interest rate/Quotation	1 824 724	48 236	(26 763)	(19 636)	20 345
			2 611 879	**63 336**	**(67 576)**	**(27 144)**	**59 345**

(1) Attributable to the hedged risk
(2) Includes accrued interest

31.12.2012

Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative [2]	Changes in the fair value of the derivative in the year [2]	Accumulated changes in fair value of the hedged item [1]	Changes in the fair value of the hedged item in the year [1]
		(In thousands of euro)					
Interest Rate Swap/ Currency	Loans and advances to customers	Interest rate	529 897	(23 884)	(179)	22 391	(638)
Interest Rate Swap	Deposits from banks	Interest rate	174 000	64 725	13 779	(67 996)	(11 744)
Interest Rate Swap	Due to customers	Interest rate	4 417	2 174	(50)	(787)	51
Equity/Interest Rate Swap	Debt security issued	Interest rate/Quotation	1 656 777	67 301	4 929	(38 472)	(3 685)
			2 365 091	110 316	18 479	(84 864)	(16 016)

[1] Attributable to the hedged risk
[2] Includes accrued interest

Changes in the fair value of the hedged items mentioned above and of the respective hedging derivatives are recognised in the income statement under net gains / (losses) from financial assets and financial liabilities at fair value through profit or loss.

As at 31 December 2013, the ineffectiveness of the fair value hedge operations amounted to a loss of euro 8.2 million (31 December 2012: euro 2.5 million gain) and was recognised in the income statement. ESFG Group evaluates on an ongoing basis the effectiveness of the hedges.

Other derivatives for risk management purposes

Other derivatives for risk management purposes includes derivatives held to hedge financial assets and financial liabilities at fair value through profit and loss in accordance with the accounting policies described in Notes 2.5, 2.6 and 2.8 and that the Group did not classify as hedging derivatives.

The book value of financial assets and financial liabilities at fair value through profit and loss can be analysed as follows:

31.12.2013

Derivative	Financial assets / liabilities economically hedged	Derivative			Assets / Liabilities associated			
		Notional	Fair Value	Changes in the fair value during the year	Fair Value	Changes in the fair value during the year	Carrying amount	Redemption amount at maturity [1]
		(In thousands of euro)						
	Assets							
Credit Default Swap	Loans and advances to customers	268 000	8 059	(43 389)	-	-	-	268 000
	Liabilities							
Interest Rate Swap	Due to customers	9 080 000	77 152	(59 891)	(48 110)	41 221	9 346 477	9 298 367
Interest Rate Swap/FX Forward	Debt security issued	1 095 563	63 273	(24 278)	26 276	(50 102)	376 026	386 407
Credit Default Swap	Debt security issued	441 233	12 805	11 547	(23 472)	(8 169)	467 953	459 006
Equity Swap	Debt security issued	434 476	6 263	12 073	(7 697)	(13 459)	353 257	358 891
Equity Option	Debt security issued	49 030	1 793	682	(3 487)	(3 765)	111 379	113 019
		11 368 302	169 345	(103 256)	(56 490)	(34 274)	10 655 092	10 883 690

[1] Corresponds to the minimum guarated amount to be reimbursed at maturity

31.12.2012

Derivative	Financial assets / liabilities economically hedged	Derivative			Assets / Liabilities associated			
		Notional	Fair Value	Changes in the fair value during the year	Fair Value	Changes in the fair value during the year	Carrying amount	Redemption amount at maturity [1]
		(in thousands of euro)						
	Assets							
Credit Default Swap	Loans and advances to customers	84 000	1 376	(50 072)	-	-	-	84 000
	Liabilities							
Interest Rate Swap	Due to customers	7 540 000	179 038	67 206	(90 099)	(111 024)	8 791 778	8 712 699
Interest Rate Swap/FX Forward	Debt security issued	1 485 628	95 716	78 817	69 217	(53 029)	303 386	370 714
Credit Default Swap	Debt security issued	346 845	5 810	44 774	(22 202)	(53 860)	376 308	358 728
Equity Swap	Debt security issued	405 155	(3 662)	15 813	2 985	(24 257)	339 252	357 237
Equity Option	Debt security issued	82 525	2 727	13	(2 369)	(5 339)	125 874	131 828
		9 944 153	281 005	156 551	(42 468)	(247 509)	9 936 598	10 015 206

[1] Corresponds to the minimum guaranted amount to be reimbursed at maturity

The credit default swaps associated to loans to customers are part of synthetic securitisation operations, as mentioned in Note 50.

As at 31 December 2013, the fair value of the financial liabilities at fair value through profit or loss, includes a positive cumulative effect of euro 93.8 million (31 December 2012: positive cumulative effect of euro 167.1 million) attributable to the Group's own credit risk. The change in fair value attributable to the Group's own credit risk resulted in the recognition, in 2013, of a loss amounting to euro 73.3 million (31 December 2012: loss of euro 35.2 million).

As at 31 December 2013 and 2012, the analysis of derivatives for risk management purposes by the period to maturity is as follows:

	31.12.2013		31.12.2012	
	Notional	Fair value	Notional	Fair value
	(in thousands of euro)			
Up to 3 months	1 329 792	17 714	1 674 024	13 571
3 to 12 months	6 725 633	16 069	2 361 702	25 889
1 to 5 years	4 516 609	89 180	7 205 288	205 686
More than 5 years	1 408 147	109 718	1 068 230	146 175
	13 980 181	**232 681**	**12 309 244**	**391 321**

NOTE 29 - NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

This balance as at 31 December 2013 and 2012 is analysed as follows:

	31.12.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilies
	(in thousands of euro)			
Assets and liabilities of subsidiaries acquired exclusively for resale purposes	**671 862**	**153 580**	**731 767**	**175 945**
Property held for sale	3 387 737	-	2 846 023	-
Equipment	16 114	-	2 524	-
Other tangible assets	4 164	-	3 501	-
	3 408 015	-	2 852 048	-
Impairment losses	(512 866)	-	(303 630)	-
	2 895 149	-	**2 548 418**	-
	3 567 011	**153 580**	**3 280 185**	**175 945**

The amounts presented refer to (i) investments in entities controlled by the Group, which have been acquired exclusively with the purpose of being sold in the short term, and (ii) assets acquired in exchange for loans and discontinued branches available for immediate sale.

As at 31 December 2013, the assets of subsidiaries acquired for resale purposes are presented as follows:

	Economic Interest %	Values incorported by ESFG Group (In thousands of euro)		
		Assets	Liabilities	Net Result
Greenwoods Ecoresorts empreendimentos imobiliários, SA (1)	97,66%	226 760	516	(4 571)
Sealion Holdings Limited	57,00%	188 036	135 158	(19 562)
Portucale - Sociedade De Desenvolvimento Agro - Turistico, S.A.	97,24%	53 989	8 699	(1 320)
Autodril - Sociedade Imobiliária, SA	60,31%	48 983	1	125
Ribagolfe - Empreendimentos de Golfe, SA	97,16%	22 522	5 776	-
Febagri-Actividades Agropecuárias e Imobiliárias SA	60,31%	11 891	1 284	(30)
Quinta da Areia - Sociedade Imobiliária, SA	100,00%	11 950	5	34
Odebrecht Engenharia Ambiental	0,55%	10 760	-	-
Herdade da Boina - Sociedade Imobiliária	100,00%	10 114	150	61
JCN - IP - Investimentos Imobiliários e Participações, S.A.	97,24%	9 659	64	(1 624)
Herdade Vale da Mata	100,00%	8 121	131	-
Sociedade Imobiliária Quinta D. Manuel I, SA	100,00%	2 899	4	(5)
Sociedade Agricola Turistica e Imobiliária da Várzea da Lagoa, SA	100,00%	5 886	-	(2 914)
EMSA – Empreendimentos e Exploração de Estacionamentos SA (1)	100,00%	5 456	353	-
Other	-	17 720	1 439	(993)
Total (2)		634 746	153 580	(30 796)

(1) Entities acquired during 2013; in Greenwoods there was an increase in participation
(2) The assets incorporated are presented net of a provision of euro 37 116 thousand

The changes occurred in impairment losses are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**303 630**	**181 449**
Change in the scope of consolidation	-	116 654
Charge for the year	294 452	40 178
Charge off	(101 757)	(29 664)
Exchange differences and other	16 541	(4 987)
Balance as at 31 December	**512 866**	**303 630**

In addition to the losses related to impairment, the Group recognised in profit and loss the following amounts, related to these assets:

- Losses in real estate, equipments and other assets in the amount of euro 11.5 million (31 December 2012: euro 9.1 million) and gains in the amount of euro 10.8 million (31 December 2012: euro 3.2 million); and
- Losses in the amount of euro 29.6 million from the appropriation of results of the subsidiaries held for sale (31 December 2012: euro 8.7 million loss).

The changes occurred in non-current assets held for sale during 2013 and 2012, are presented as follows:

	31.12.2013			31.12.2012		
	Property and other equipment	Assets of subsidiaries acquired for resale	Total	Property and other equipment	Assets of subsidiaries acquired for resale	Total
	(in thousands of euro)					
Balance as at 1 January	2 852 048	731 767	3 583 815	1 536 884	291 248	1 828 132
Change in the scope of consolidation	116 067	-	116 067	530 343	-	530 343
Additions	832 914	73 628	906 542	998 905	454 151	1 453 056
Sales	(455 297)	(91 392)	(546 689)	(218 735)	-	(218 735)
Other	62 283	(42 141)	20 142	4 651	(13 632)	(8 981)
Balance as at 31 December	3 408 015	671 862	4 079 877	2 852 048	731 767	3 583 815

Assets / liabilities of subsidiaries acquired for resale primarily reflect assets and liabilities of companies acquired by the Group on loan restructuring operations and that the Group intends to sell within one year. However, given the current market conditions it was not possible to sell them within the expected time frame, but the sales effort and, in some cases, negotiations with potential buyers are still ongoing.

The sales effort that is being made by the Group includes (i) a web site specifically designed for the sale of real estate assets; (ii) the setup and participation in real estate events in Portugal and abroad; (iii) the setup of contracts with several real estate agents; (iv) the regular sponsorship of auctions; and (v) campaigns in the major emigration centres. The Group, despite its intention to sale these assets, regularly request to the Bank of Portugal the authorisation, under article 114 of RGICSF, the extension of the period of time the Banks have to hold these assets.

The analysis of the real estate assets held for resale by aging is as follows:

	31.12.2013		31.12.2012	
	Gross amount	Impairment	Gross amount	Impairment
	(in thousands of euro)			
Held for				
less than a year	833 104	64 191	1 299 639	158 987
for one to two years	1 142 133	231 523	327 267	26 186
more than two years	1 412 500	177 449	1 219 117	115 820
Total Balance	**3 387 737**	**473 163**	**2 846 023**	**300 993**

Real estate assets are included in this caption, at the acquisition date in exchange for loans, by its market value considering an immediate sale scenario. These assets are revaluated periodically, being recognised an impairment loss when necessary.

As at 31 December 2013, the amount of property held for sale includes euro 21 260 thousand (31 December 2012: euro 21 598 thousand) related to discontinued branches, in relation to which the Group recognised an impairment loss amounting to euro 10 925 thousand (31 December 2012: euro 11 193 thousand).

NOTE 30 - PROPERTY AND EQUIPMENT

As at 31 December 2013 and 2012 this balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Property		
Land and buildings	536 205	512 493
Improvements in leasehold property	238 999	228 930
Other	374	1 139
	775 578	**742 562**
Equipment		
Computer equipment	342 117	348 663
Furniture	143 876	139 792
Fixtures	143 279	146 077
Security equipment	44 893	42 469
Office equipment	40 545	39 917
Motor vehicles	17 400	14 693
Other	10 595	13 675
	742 705	**745 286**
Other	**6 615**	**13 029**
	1 524 898	**1 500 877**
Work in progress		
Land and buildings	389 342	401 044
Improvement in leasehold property	416	344
Equipment	2 823	2 170
Other	67	56
	392 648	**403 614**
Accumulated depreciation	(942 928)	(921 485)
Impairment losses	(389)	(389)
	(943 317)	**(921 874)**
	974 229	**982 617**

In accordance with the accounting policy described in Note 2.14, the Group concluded that there was an indication of impairment in relation to certain property and equipment. Therefore it has performed impairment tests for these assets and has recognised an accumulated impairment loss of euro 389 thousand (31 December 2012: euro 389 thousand).

The movement in this balance was as follows:

	Property	Equipment	Other	Work in progress	Total
			(in thousands of euro)		
Acquisition costs					
Balance as at 31 December 2011	**1 007 089**	**847 901**	**25 262**	**333 835**	**2 214 087**
Change in the scope of consolidation (b)	(279 558)	(130 856)	(12 737)	(3 451)	(426 602)
Acquisitions	5 615	30 298	511	116 764	153 188
Disposals	(20 688)	(13 607)	(61)	(850)	(35 206)
Transfers (a)	22 859	5 009	-	(34 592)	(6 724)
Exchange differences and other (c)	7 245	6 541	54	(8 092)	5 748
Balance as at 31 December 2012	**742 562**	**745 286**	**13 029**	**403 614**	**1 904 491**
Acquisitions	5 108	29 404	433	86 427	121 372
Disposals	(6 412)	(27 327)	-	(81)	(33 820)
Transfers (a)	38 123	1 353	(6 665)	(41 438)	(8 627)
Exchange differences and other	(3 803)	(6 011)	(182)	(55 874)	(65 870)
Balance as at 31 December 2013	**775 578**	**742 705**	**6 615**	**392 648**	**1 917 546**
Depreciation					
Balance as at 31 December 2011	**347 428**	**675 793**	**14 014**	-	**1 037 235**
Change in the scope of consolidation (b)	(59 832)	(104 098)	(11 075)	-	(175 005)
Depreciation	30 749	54 929	2 864	-	88 542
Disposals	(19 087)	(8 781)	(45)	-	(27 913)
Transfers (a)	(1 110)	(413)	-	-	(1 523)
Exchange differences and other (c)	(521)	614	56	-	149
Balance as at 31 December 2012	**297 627**	**618 044**	**5 814**	-	**921 485**
Depreciation	22 474	41 463	878	-	64 815
Disposals	(6 396)	(26 667)	-	-	(33 063)
Transfers (a)	4 012	(1 516)	(4 511)	-	(2 015)
Exchange differences and other	(917)	(7 238)	(139)	-	(8 294)
Balance as at 31 December 2013	**316 800**	**624 086**	**2 042**	-	**942 928**
Impairment					
Balance as at 31 December 2011	**389**	-	**917**	-	**1 306**
Impairment losses	-	-	(917)	-	(917)
Balance as at 31 December 2012	**389**	-	-	-	**389**
Balance as at 31 December 2013	**389**	-	-	-	**389**
Net balance as at 31 December 2013	**458 389**	**118 619**	**4 573**	**392 648**	**974 229**
Net balance as at 31 December 2012	**444 546**	**127 242**	**7 215**	**403 614**	**982 617**

(a) Relating to discontinued branches, transferred to the balance Non-current assets held for sale
(b) Relating to the change in the consolidation method of ES Saúde, from full consolidation to the equity method, as well as the sale of Pastor Vida and the acquisition of Tranquilidade Angola
(c) Relating to the acquisition of BES Vida

The balance Equipment – Motor vehicles includes equipment acquired under finance lease agreements, whose payment schedule is as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Gross investment in finance leases, payable		
Up to 1 year	69	106
From 1 to 5 years	73	138
	142	244
Interest		
Up to 1 year	4	10
From 1 to 5 years	4	5
	8	15
Principal		
Up to 1 year	65	96
From 1 to 5 years	69	133
	134	229

NOTE 31 - INVESTMENT PROPERTIES

Investment properties are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Insurance activity	621 000	676 853
Real estate activity	98 422	120 470
	719 422	**797 323**

The movement in investment properties for the years ended 31 December 2013 and 2012 can be analysed as follows:

	Insurance activity	Real estate activity	Total
	(in thousands of euro)		
Net balance as at 31 December 2011	**315 393**	**2 645**	**318 038**
Change in the scope of consolidation (a)	391 418	122 759	514 177
Acquisitions	62	2 754	2 816
Improvements	946	-	946
Disposals	(12 503)	-	(12 503)
Other	(2 899)	(4 896)	(7 795)
Unrealised gains / (losses)	(15 564)	(147)	(15 711)
Net balance as at 31 December 2012	**676 853**	**120 470**	**797 323**
Change in the scope of consolidation (b)	-	(21 574)	(21 574)
Acquisitions	350	628	978
Improvements	4 932	-	4 932
Disposals	(21 646)	-	(21 646)
Other	(46 556)	20	(46 536)
Unrealised gains / (losses)	7 067	(1 122)	5 945
Net balance as at 31 December 2013	**621 000**	**98 422**	**719 422**

(a) relating to the consolidation of BES Vida, Fungere, Fungepi, Fundo de Investimento Imobiliário Fechado Corpus Christi, Imocrescente and Imoprime

(b) relating to the deconsolidation of Imocrescente

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property when available.

Investment property includes a number of commercial properties that are leased to third parties. Most lease contracts do not have a specified term being possible for the lessee to cancel at any time. However, for a small part of commercial properties leased to third parties on average the leases contain an initial non-cancellable period of 10 years. Subsequent renewals are negotiated with the lessee.

The increase in fair value of investment property of euro 6.1 million (31 December 2012: decrease of euro 15.7 million) is recognised in Other operating income and expenses. Rental income from investment property of euro 12.7 million (31 December 2012: euro 13.2 million) is recognised in Other operating income.

The direct operating expenses including repairs and maintenance arising from investment property that generated rental income during the year reached 4.2 million euro (31 December 2012: euro 5.3 million). The direct operating expenses including repairs and maintenance arising from investment property that did not generate rental income during the year reached euro 0.2 million (31 December 2012: euro 0.7 million).

NOTE 32 - INTANGIBLE ASSETS

As at 31 December 2013 and 2012 this balance is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Goodwill	454 089	441 504
Value in force	-	107 768
Internally developed		
Software	130 691	107 437
Acquired from third parties		
Software	712 049	680 960
Other	5 484	1 870
	717 533	682 830
Work in progress	37 835	40 028
	1 340 148	1 379 567
Accumulated amortisation	(721 815)	(666 578)
Impairment	(10 064)	(9 779)
	608 269	**703 210**

Goodwill, recognised in accordance with the accounting policy described in Note 2.2, is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
BES Vida	234 574	234 574
PARTRAN	61 123	61 123
BES	58 336	58 336
BESPAR	5 960	5 960
MARIGNAN GESTION	3 613	3 613
BEST	2 349	2 349
CONCORDIA	1 722	1 756
ES Investment Holding (a)	47 540	48 567
ES Gestion	2 459	2 459
AMAN BANK	16 046	16 046
Imbassaí	13 526	-
Other	6 841	6 721
	454 089	441 504
Impairment	(10 064)	(9 779)
	444 025	**431 725**

(a) Holding company of Execution/Noble

In May 2012, BES acquired from Credit Agricole the remaining 50% of share capital of BES Vida becoming to hold the entire share capital and the management control over its activities. Goodwill and Value in Force of BES Vida, in the amount of euro 234.6 million and euro 107.8 million, respectively, were calculated at the date of acquisition on a provisional basis, in accordance with paragraph 45 of IFRS 3.

Considering the reinsurance contract signed during 2013 and described in Note 11, which reinsures 100% of the life insurance portfolio, including all the policies in force in BES Vida as at 30 June 2013, transferring to the reinsurer all risks and rewards associated to these contracts, the respective value in force in the amount of euro 137.5 was derecognised. The value in force of the remaining contracts, in the net amount of euro 25.4 million at the date of the reinsurance contract, have a liability nature and, as such, were accounted in Other liabilities. As at 31 December 2013 the amount was amortised in euro 3.5 million amounting as at date to euro 21.9 million (see Note 44).

BES Vida

The value of BES Vida was determined considering the Embedded Value and the Goodwill. The Embedded Value consists in adding (i) the company's equity (adjusted of unrealised gains and losses, net of tax) and (ii) and the expected present value of flow of distributable future profits from the policies in force at valuation date (adjusted by the cost of the solvency margin, the time value of options and guarantees and by the cost of residual risks that are not coverable). Goodwill consists in the value of new business to be developed by the company in the future.

For valuation purposes, it was used the business projections for the next 30 years and was applied a discount rate of 9.5%, which included an appropriate risk premium for the estimated cash-flows. Based in these assumptions the recoverable amount of the investment exceeds the book value, including Goodwill.

The projections for a 20 year period are based in the long term nature of the insurance business, where either risk and financial investment contracts have long term maturities.

Partran

Partran is the holding company for Tranquilidade Sub-Group. The recoverable amount of Partran was determined based on (i) the value of Tranquilidade business stand-alone and (ii) the value of each of its subsidiaries.

The valuations performed used a Dividend Discounted Methodology and were back tested based on market multiples considering a control premium.

Based on the above assumptions, the recoverable amount exceeded the carrying amount including goodwill.

BES

The recoverable amount of BES was determined based on appropriate market multiples taking in consideration (i) historical earnings estimates for the sector, discounted using an adequate discount rate which includes a risk premium appropriated for the estimated future cash-flows and (ii) adequate control premiums.

Based on the above analysis, the recoverable amount of the investment in BES exceeded the respective carrying amount including goodwill.

ES Investment Holding Limited

The recoverable amount of ES Investment Holding Limited has been determined using cash flow/dividends predictions based on (i) the financial budget approved by management covering a nine-year period, (ii) a terminal growth rate of 3%, in line with the estimated nominal growth for the country where the company is located and (iii) a discount rate of 9.0% including a risk premium appropriated to the estimated future cash-flows.

The nine-year period for estimating the future cash-flows reflect the fact that the company was acquired in late 2010 and its business strategy is being redefined. It is expected that the company achieves a maturity stage only at the end of that time period.

Based on the above assumptions, the recoverable amount exceeded the carrying amount including goodwill.

Aman Bank

On 31 December 2011, the Group recognised an impairment of euro 8 023 thousand in goodwill related with the acquisition of Aman Bank. The impairment reflects the changes of the estimated future cash flows expected by the Group in this entity as a result of the political situation lived in Libya during 2011.

In 2012 and 2013, this entity showed a positive trend, thus there was no need to reinforce the impairment loss recognised.

The balance of internally developed software includes the costs incurred by the Group in the development and implementation of software applications that will generate economic benefits in the future (see Note 2.15).

The movement in this balance was as follows:

	Goodwill and Value in Force	Software	Other	Work in progress	Total
			(in thousands of euro)		
Acquisition costs					
Balance as at 31 December 2011	**404 067**	**742 370**	**1 236**	**32 798**	**1 180 471**
Acquisitions:					
Internally developed	-	373	-	8 257	8 630
Acquired from third parties (a)	346 696	12 999	4	30 326	390 025
Disposals	(182 383)	(2 998)	(81)	(103)	(185 565)
Transfers	-	32 440	-	(32 454)	(14)
Exchange differences and other (b) (c)	(19 108)	9 594	35	1 204	(8 275)
Balance as at 31 December 2012	**549 272**	**788 397**	**1 870**	**40 028**	**1 379 567**
Acquisitions:					
Internally developed	-	252	-	9 147	9 399
Acquired from third parties	13 526	14 393	3 650	29 189	60 758
Disposals (d)	(137 476)	(460)	(5)	-	(137 941)
Transfers (d)	21 989	39 741	-	(39 741)	21 989
Exchange differences and other	6 778	417	(31)	(788)	6 376
Balance as at 31 December 2013	**454 089**	**842 740**	**5 484**	**37 835**	**1 340 148**
Amortisation					
Balance as at 31 December 2011	**5 756**	**614 777**	**1 114**	**-**	**621 647**
Change in the scope of consolidation	-	(6 312)	(10 098)	-	(16 410)
Amortisation	4 322	52 616	299	-	57 237
Disposals	(10 078)	(2 875)	(81)	-	(13 034)
Exchange differences and other (e)	(2 169)	9 180	49	-	7 060
Balance as at 31 December 2012	**(2 169)**	**667 386**	**(8 717)**	**-**	**656 500**
Amortisation	-	54 317	326	-	54 643
Disposals	-	(461)	(5)	-	(466)
Exchange differences and other	2 169	(1 042)	10 011	-	11 138
Balance as at 31 December 2013	**-**	**720 200**	**1 615**	**-**	**721 815**
Impairment					
Balance as at 31 December 2011	**9 628**	**-**	**-**	**-**	**9 628**
Exchange differences and other	151	-	-	-	151
Balance as at 31 December 2012	**9 779**	**-**	**-**	**-**	**9 779**
Impairment losses	362	-	-	-	362
Exchange differences and other	(77)	-	-	-	(77)
Balance as at 31 December 2013	**10 064**	**-**	**-**	**-**	**10 064**
Net balance as at 31 December 2013	**444 025**	**122 540**	**3 869**	**37 835**	**608 269**
Net balance as at 31 December 2012	**541 662**	**121 011**	**10 587**	**40 028**	**713 288**

(a) relating to the acquisition of BES Vida and Tranquilidade Angola
(b) includes euro 19 683 thousand relating to the de-recognition of goodwill on Gespastor
(c) includes euro 8 917 thousand relating to the acquisition of BES Vida
(d) BES VIF - Other liabilities
(e) includes euro 8 791 thousand relating to the acquisition of BES Vida

NOTE 33 - INVESTMENTS IN ASSOCIATES

The financial information concerning associates is presented in the following table:

	Assets		Liabilities		Equity		Income		Profit/(Loss) of the year	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
					(in thousands of euro)					
BES SEGUROS	116 330	120 243	84 941	89 039	31 389	31 204	73 935	66 537	7 142	6 971
EUROP ASSISTANCE	49 186	50 053	33 862	35 048	15 323	15 005	55 439	55 496	4 040	2 797
ES SAUDE	477 747	492 447	334 535	364 015	143 212	128 432	374 285	344 801	14 023	(2 631)
LOCARENT	244 535	285 740	231 418	277 404	13 117	94 336	84 420	94 213	2 401	2 595
ESEGUR	36 790	39 121	24 495	28 526	12 295	10 595	51 252	50 980	998	595
FUNDO ES IBERIA	15 286	13 894	104	169	15 182	13 725	422	466	(145)	(106)
BRB INTERNACIONAL	-	12 883	-	12 407	-	476	-	1 243	-	(589)
AUTOPISTA PEROTE-XALAPA	-	650 179	-	521 167	-	129 012	-	-	-	(6 634)
ASCENDI GROUP	4 314 000	4 056 000	3 750 000	3 656 000	564 000	400 000	158 000	140 000	21 000	28 000
EMPARK	768 532	782 872	645 093	651 074	123 439	131 798	163 833	166 594	(3 008)	(7 171)
AUVISA - AUTOVIA DE LOS VIÑEDOS	208 484	216 000	213 895	222 000	(5 411)	(6 000)	14 841	14 000	(2 940)	(4 000)
UNICRE	315 889	305 005	185 723	179 941	130 166	125 064	197 189	231 070	9 785	11 256
MOZA BANCO	361 146	186 719	327 396	154 683	33 750	32 036	46 091	21 760	924	(3 289)
RODI SINKS & IDEAS	43 084	43 446	19 138	20 537	23 946	22 909	17 268	19 528	1 324	1 609

	Acquisition cost		Voting interest		Book value		Share of profit of associates	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
					(in thousands of euro)			
BES SEGUROS	7 501	7 501	50.00%	50.00%	15 695	15 602	3 571	3 486
EUROP ASSISTANCE	2 344	2 344	47.00%	47.00%	5 792	5 642	1 899	1 314
ES SAUDE	143 747	143 747	42.89%	42.89%	120 580	114 252	6 234	(604)
LOCARENT	2 967	2 967	50.00%	50.00%	6 869	4 478	1 201	1 298
ESEGUR	9 634	9 634	44.00%	44.00%	12 254	11 506	439	262
FUNDO ES IBERIA	8 081	7 087	38.67%	38.67%	7 312	5 649	658	261
BRB INTERNACIONAL	-	10 659	-	25.00%	-	119	101	(216)
AUTOPISTA PEROTE-XALAPA	-	36 678	-	20.00%	-	30 802	-	3 647
ASCENDI GROUP	179 772	179 772	40.00%	40.00%	150 388	186 955	(431)	6 566
EMPARK	52 429	52 429	22.20%	22.20%	47 331	50 090	(2 014)	(2 193)
AUVISA - AUTOVIA DE LOS VIÑEDOS	41 056	41 056	50.00%	50.00%	34 792	34 792	-	(2 531)
UNICRE	11 497	11 497	17.50%	17.50%	22 779	21 886	1 712	1 970
MOZA BANCO	37 707	12 791	25.10%	25.10%	37 603	12 234	669	(826)
RODI SINKS & IDEAS	1 240	1 240	24.81%	24.81%	8 387	8 129	257	194
Others	160 044	151 033			136 691	138 478	(5 473)	(10 633)
	658 019	670 435			606 473	640 614	8 823	4 756

The movement occurred in this balance is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance at the beginning of the year	**640 614**	**578 327**
Change in the scope of consolidation	10 017	47 047
Disposals	(79 839)	(60 026)
Acquisitions and capital increases (See Note1)	35 377	32 966
Share of profit of associates	8 823	4 756
Fair value reserve from investments in associates	979	44 770
Dividends received	(6 253)	(3 305)
Exchange differences and other	(3 245)	(3 921)
Balance at the end of the year	**606 473**	**640 614**

The changes in consolidation scope in 2013, arise from the full consolidation of the Fund Imoprime.

The changes in consolidation scope in 2012, arise from (i) the full consolidation of BES Vida from 1 May 2012, which in 2011 was included in ESFG consolidated financial statements following the equity method; and (ii) the loss of control over ES Saúde in 2012, this entity being currently included in these consolidated financial statements following the equity method.

NOTE 34 - TECHNICAL RESERVES

The direct insurance and reinsurance ceded technical reserves are analysed as follows:

	31.12.2013			31.12.2012		
	Direct insurance	Reinsurance ceded	Total	Direct insurance	Reinsurance ceded	Total
			(in thousands of euro)			
Unearned premiums reserve	111 940	(19 739)	92 201	114 019	(19 651)	94 368
Life mathematical reserve	1 999 962	(7 510)	1 992 452	1 831 675	(634)	1 831 041
Claims outstanding reserve	499 490	(48 738)	450 752	517 407	(47 692)	469 715
Unexpired risks reserve	22 040	-	22 040	19 476	-	19 476
Reserve for bonus and rebates	9 724	(912)	8 812	5 751	(2 796)	2 955
	2 643 156	(76 899)	2 566 257	2 488 328	(70 773)	2 417 555

The life mathematical reserve is analysed as follows:

	31.12.2013			31.12.2012		
	Direct insurance	Reinsurance ceded	Total	Direct insurance	Reinsurance ceded	Total
			(in thousands of euro)			
Annuities	113 102	(7 509)	105 593	114 286	(634)	113 652
Saving Contracts with Profit Sharing	1 886 860	(1)	1 886 859	1 717 389	-	1 717 389
	1 999 962	(7 510)	1 992 452	1 831 675	(634)	1 831 041

In accordance with IFRS 4, the contracts issued by the Group for which there is only a transfer of financial risk, with no discretionary profit sharing, are classified as investment contracts and accounted for as financial liabilities.

The claims outstanding reserve by line of business is analysed as follows:

	31.12.2013			31.12.2012		
	Direct insurance	Reinsurance ceded	Total	Direct insurance	Reinsurance ceded	Total
			(in thousands of euro)			
Life	48 163	(3 657)	44 506	35 225	(1 873)	33 352
Workers compensation (mathematical reserve)	136 293	(525)	135 768	128 630	(1 002)	127 628
Workers compensation (not related to life pensions)	65 559	(3 245)	62 314	59 740	(1 374)	58 366
Accidents and health	10 126	(188)	9 938	10 273	(243)	10 030
Fire and other hazards	35 172	(16 287)	18 885	43 321	(18 742)	24 579
Motor	174 997	(16 150)	158 847	210 614	(14 206)	196 408
Maritime, airline and transportation	6 737	(3 101)	3 636	6 603	(2 815)	3 788
Third parties liabilities	19 408	(2 945)	16 463	21 305	(6 133)	15 172
Credit and suretyship	42	(12)	30	80	(40)	40
Other	2 993	(2 628)	365	1 616	(1 264)	352
	499 490	(48 738)	450 752	517 407	(47 692)	469 715

The claims outstanding reserve represents unsettled claims occurred before the balance sheet date and includes an estimated provision in the amount of euro 22 850 thousand (31 December 2012: euro 22 106 thousand), for claims incurred before 31 December 2013, but not reported (IBNR).

Included in the amount of claims outstanding for workers' compensation is euro 136 293 thousand (31 December 2012: euro 120 885 thousand), relating to the mathematical reserve for workers' compensation.

The mathematical reserve for workers' compensation includes an amount of euro 0 (31 December 2012: euro 0 thousand) as a result of the liability adequacy test (see Note 53).

Additionally, mathematical reserve for workers' compensation also includes an accrual related to the present value of the future contributions to Workers Compensation Fund (FAT) for an amount of euro 8 832 thousand (31 December 2012: euro 7 668 thousand).

The claims outstanding reserve also includes an estimation of future costs related to the settlement of pending claims (expense reserve), both-declared and non-declared, for an amount of euro 26 473 thousand (31 December 2012: euro 22 168 thousand).

The movements on the claims outstanding reserve of direct insurance business are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance at the beginning of the year	**517 407**	**499 462**
Change in the scope of consolidation	-	26 328
Plus incurred claims		
Current period	569 278	695 230
Prior periods	(47 669)	(40 062)
Less paid claims related to		
Current period	(422 706)	(548 278)
Prior periods	(116 820)	(115 273)
Balance at the end of the year	**499 490**	**517 407**

The reserve for bonus and rebates corresponds to the amounts attributed to policyholders or beneficiaries of insurance and investment contracts with profit sharing, in the form of profit participation, which have not yet been specifically allocated and included in the life mathematical reserve.

The movement in the reserve for bonus and rebates for the years ended 31 December 2013 and 2012 is as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance at the beginning of the period	**5 751**	**5 933**
Change in the scope of consolidation	-	(1 326)
Amounts paid	(2 609)	(2 099)
Estimated attributable amounts	6 582	3 243
Balance at the end of the period	**9 724**	**5 751**

As at 31 December 2013, life mathematical reserve includes an amount of euro 0 (31 December 2012: euro 0 thousand) as a result of the liability adequacy test. This test was performed based on the best estimate assumptions (see Note 53).

NOTE 35 - OTHER ASSETS

As at 31 December 2013 and 2012, the balance other assets is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Collateral deposits placed	1 483 337	1 664 467
Derivatives	*927 066*	*1 438 955*
Collateral CLEARNET, VISA and EBA	*30 701*	*33 597*
Collateral related to Letters of Credit	*44 797*	*26 694*
Collateral Deposits for litigations	*54 956*	*53 000*
Collateral Desposits in relation with reinsurance operations	*334 677*	-
Other	*91 140*	*112 221*
Recoverable government subsidies on mortgage loans	30 426	38 658
Public sector	191 978	152 428
Debtors from the banking business	680 299	631 951
Debtors from the insurance business	23 945	24 101
Debtors from medical services business	580	452
Sundry debtors	11 488	21 155
	2 422 053	2 533 212
Impairment losses on debtors	(156 976)	(236 196)
	2 265 077	**2 297 016**
Debtors arising out of direct insurance operations	63 996	67 170
Debtors arising out of reinsurance operations	8 558	10 814
	72 554	**77 984**
Impairment losses on debtors arising out of direct insurance and of reinsurance operations	(7 336)	(7 228)
	65 218	**70 756**
Accrued income	66 852	54 497
Prepayments and deferred costs	121 453	119 749
Gold, other precious metals, numismatics and other liquid assets	10 247	11 127
Other assets	233 448	264 282
	243 695	**275 409**
Deferred acquisition costs	**21 201**	**21 954**
Other sundry assets		
Stock exchange transactions pending settlement	256 333	154 257
Other transactions pending settlement	57 774	222 202
	314 107	**376 459**
Assets recognised on pensions (see Note 14)	**10**	**18 815**
	3 097 613	**3 234 655**

The caption collateral deposits placed includes deposits made by the Group as collateral in order to be able to perform certain derivative contracts in organized markets (margin accounts) and in over the counter markets (Credit Support Annex – CSA). This caption also includes a collateral deposit made following the reinsurance agreement between BES Vida and New Re, in favour of the reinsurer to protect the reinsurer against the credit risk of BES Vida under the reinsurance agreement.

Loans to companies in which the Group has a non-controlling interest include:

- euro 100 million related with loans to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A. (31 December 2012: euro 100 million);
- euro 78.7 million of loans to entities within the Group's venture capital business, of which euro 49.5 million are provided for (31 December 2012: euro 67.2 million, of which euro 30.7 million were provided for); and
- 87.2 million of loans and junior securities following the transfer of loans/assets to companies and specialized funds, of which euro 83.4 million are provided for (31 December 2012: euro 94.3 million, of which euro 87.7 million were provided for).

As at 31 December 2013, the balance prepayments and deferred costs includes the amount of euro 76 745 thousand (31 December 2012: euro 64 901 thousand) related to the difference between the nominal amount of loans granted to Group's employees under the collective labour agreement for the banking sector (ACT) and their respective fair value at grant date, calculated in accordance with IAS 39. This amount is charged to the income statement over the lower period between the remaining maturity of the loan granted, and the estimated remaining service life of the employee.

The stock exchange transactions pending settlement refer to transactions with securities on behalf of third parties, recorded on trade date and pending settlement, in accordance with the accounting policy described in Note 2.6.

Deferred acquisition costs relate to the insurance business and can be analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Non-life insurance business	21 201	21 954
	21 201	**21 954**

The movements on the deferred acquisition costs for the non-life business are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance at the beginning of the year	**21 954**	**22 517**
Acquisition costs of the year	21 201	21 954
Acquisition costs amortisation	(21 946)	(22 517)
Others	(8)	-
Balance at the end of the year	**21 201**	**21 954**

The balance of impairment losses is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Debtors	156 976	236 196
Debtors arising out of direct insurance and reinsurance operations	7 336	7 228
	164 312	**243 424**

As at 31 December 2012, the impairment losses on debtors caption included also an amount of euro 86.6 million related to the impairment of international assets in the carbon market.

The movements occurred in impairment losses are presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**243 424**	**67 597**
Change in the scope of consolidation	(101)	(12 726)
Charge of the year	32 690	196 374
Write back of the year	(3 627)	(13 482)
Charge off	(95 289)	(1 104)
Transfers	4 335	-
Other	(17 120)	6 765
Balance as at 31 December	**164 312**	**243 424**

NOTE 36 - DEPOSITS FROM CENTRAL BANKS

The balance deposits from central banks in analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
From the European System of Central Banks		
Deposits	202 469	129 382
Other funds	9 150 000	10 150 000
	9 352 469	10 279 382
From other Central Banks		
Deposits	419 775	661 943
	419 775	661 943
	9 772 244	**10 941 325**

As at 31 December 2013 and 2012, Other funds from the European System of Central Banks includes euro 9 157 million and euro 10 156 million, respectively, covered by securities pledged as collaterals in the amount of euro 18.8 billion and euro 19.6 billion, respectively (see Note 47).

As at 31 December 2013, the balance Deposits from other Central Banks – Deposits includes the amount of euro 3 million related to deposits with Angola Central Bank (31 December 2012: euro 431 million).

As at 31 December 2013 and 2012, the analysis of deposits from Central Banks by the period to maturity is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	642 604	852 635
1 to 5 years	9 129 640	10 088 690
	9 772 244	**10 941 325**

NOTE 37 - DEPOSITS FROM BANKS

The balance deposits from banks is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Domestic		
Loans	1 927	36
Deposits	336 062	378 864
Very short terms funds	82 111	40 172
Repurchase agreements	-	66 579
Other funds	2 078	4 486
	422 178	490 137
International		
Deposits	716 344	378 345
Loans	2 775 812	2 433 985
Very short terms funds	91 049	194 475
Repurchase agreements	817 624	1 311 087
Other funds	210 487	257 951
	4 611 316	4 575 843
	5 033 494	**5 065 980**

As at 31 December 2013, the balance deposits from banks includes the amount of euro 224 109 thousand (31 December 2012: 612 277 thousand) related to deposits recognised on the balance sheet at fair value through profit or loss.

As at 31 December 2013 and 2012 the analysis of deposits from banks by the period to maturity is presented as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	2 721 882	2 318 791
3 to 12 months	886 607	1 335 967
1 to 5 years	869 486	683 935
More than 5 years	555 519	727 287
	5 033 494	**5 065 980**

NOTE 38 - DUE TO CUSTOMERS

The balance due to customers is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Repayable on demand		
Demand deposits	11 379 879	11 100 769
Time deposits		
Time deposits	23 822 634	22 213 567
Notice deposits	18 000	3 144
Other	21 175	77 327
	23 861 809	22 294 038
Savings accounts		
Pensioners	295 146	28 022
Emigrants	18 041	3 521
Other	2 093 436	1 645 970
	2 406 623	1 677 513
Other funds		
Repurchase agreement	275 003	204 847
Other	170 493	348 307
	445 496	553 154
	38 093 807	**35 625 474**

This balance includes the amount of euro 9 446 million (31 December 2012: euro 8 797 million) of deposits recognised in the balance sheet at fair value through profit or loss.

The analysis of the amounts due to customers by the period to maturity is as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Repayable on demand	11 379 879	11 100 769
With agreed maturity:		
Up to 3 months	13 798 298	11 503 648
3 to 12 months	9 351 420	6 516 402
1 to 5 years	3 358 727	6 133 519
More than 5 years	205 483	371 136
	38 093 807	**35 625 474**

NOTE 39 - DEBT SECURITIES ISSUED

The balance of debt securities issued is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Debt securities		
Euro Medium Term Notes	8 745 475	10 087 137
Certificates of deposit	342 539	620 235
Covered bonds	901 122	864 100
Debt bonds issued	1 356 727	1 409 773
Other	1 269 345	2 971 625
	12 615 208	**15 952 870**

As at 31 December 2013, the debt securities issued includes the amount of euro 4 750 million of debt securities issued with a guarantee from the Portuguese Republic (31 December 2012: euro 4 750 million).

As at 31 December 2013, this balance includes euro 3 723 million (31 December 2012: euro 2 660 thousand) of debt securities issued at fair value through profit or loss.

On 15 November 2005, ESFG issued the euro 500 000 000 Fixed Rate Step-Up Notes due 2025 with 10 000 warrants. Each of these Notes bearded interest at the rate of 3.55% until 15 November 2011 and 5.05% from then on. Each warrant entitles the holder to subscribe euro 50 000 to acquire fully paid up shares of ESFG at an initial exercise price of euro 24.50 per share. This exercise price has been adjusted following the terms the contractual conditions to euro 21.24 in 2012. The rights under the warrants are exercisable from and including 26 December 2005 up to the close of business on 8 November 2025.

In the light of IAS 32, the warrants issued correspond to an equity instrument and therefore are recognised in equity and the Notes correspond to a debt instrument and are recognised as a liability.

The value attributable to the warrants upon the initial recognition was calculated by deducting, at inception, the fair value of the Notes from the par value of the instrument as a whole, the fair value attributable to the Notes being calculated as the present value of the contractual future cash flows discounted at a rate of interest, determined at inception, based on comparable Notes providing substantially the same cash flows, on the same terms, but without the detachable warrants. On this basis, the Group recognised in equity the amount of euro 118 570 thousand related to the warrants and an amount of euro 381 430 thousand as a liability, corresponding to the respective fair value at the date of issue.

After its initial recognition, the liability accrues interest at an effective interest rate of 6.7%, which was the rate used to fair value the liability at the inception.

During 2013, took place an exchange offer of euro 135.6 million of the Notes for euro 122.0 million bonds exchangeable into ordinary shares of Banco Espírito Santo, S.A.. This exchange offer resulted in a decrease in other equity instruments by the amount of euro 32.5 million and in a loss recognised in income statement of euro 7.3 million.

Unless previously redeemed, or repurchased and cancelled, the Notes will be redeemed at their principal amount on 15 November 2025. Following the cancellation of the Notes and Warrants exchanged by ESFG pursuant to the exchange offer (i) the principal amount outstanding is euro 45.8 million in terms of nominal value and euro 38.7 million in terms of book value as at 31 December 2013, and (ii) the number of Warrants outstanding is 915 with a book value of euro 10.5 million.

On 19 December 2011, ESFG issued euro 130 416 000 Convertible Bonds due 2025, as a result of the Exchange Offer of the Euro 500 000 000 Fixed Rate Step-Up Notes described above. Each bond bears interest at the rate of 9.75 and entitles the holder to convert such Bond into new and/or existing fully paid ordinary shares in the capital of ESFG. The initial Conversion Price is Euro 17 per Ordinary share. Unless previously redeemed, or repurchased and cancelled, the Notes will be redeemed at their principal amount on 19 December 2025.

In the light of IAS 32, the conversion option issued corresponds to an equity instrument and therefore is recognised in equity and the Notes correspond to a debt instrument and are recognised as a liability.

The value attributable to the conversion option upon the initial recognition was calculated by deducting, at inception, the fair value of the Notes from the fair value of the instrument as a whole, the fair value attributable to the Notes being calculated as the present value of the contractual future cash flows discounted at a rate of interest, determined at inception, based on comparable Notes providing substantially the same cash flows, on the same terms, but without the conversion option. On this basis, the Group recognised in equity the amount of euro 17.0 million related to the conversion option.

Under the covered bonds programme, which has a maximum amount of euro 10 000 million, BES Group issued covered bonds for a total amount of euro 4 040 million.

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, that the issuer of mortgage covered bonds shall maintain segregated and over which the holders of the relevant covered bonds have a statutory special creditor privilege. These conditions are set up in Decree-Law no. 59/2006, Regulations 5/2006, 6/2006, 7/2006 and 8/2006 of the Bank of Portugal and Instruction 13/2006 of the Bank of Portugal.

The main characteristics of these issues are as follows:

Description	Nominal value (In thousands of euro)	Book value (In thousands of euro)	Issue date	Maturity date	Interest payment	Interest rate	Rating	
							Moody's	DBRS
BES Covered Bonds 3.375%	1 000 000	859 681	17.11.2009	17.02.2015	Anual	3.375%	Baa3	AL
BES Covered Bonds DUE JUL 17	1 000 000	-	07.07.2010	09.07.2017	Anual	Euribor 6 Month + 0.60%	Baa3	AL
BES Covered Bonds 21/07/2017	1 000 000	-	21.07.2010	21.07.2017	Anual	Euribor 6 Month + 0.60%	Baa3	AL
BES Covered Bonds DUE 4.6%	40 000	41 441	15.12.2010	26.01.2017	Anual	Fixed rate 4.6%	Baa3	AL
BES Covered Bonds HIPOT 2018	1 000 000	-	25.01.2011	25.01.2018	Anual	Euribor 6 Month + 0.60%	Baa3	AL
	4 040 000	901 122						

As at 31 December 2013, the mortgage loans that collateralise these covered bonds amounted to euro 5 552.6 million (31 December 2012: euro 5 605.1 million) (see Note 26).

The changes occurred in debt securities issued during the year ended 31 December 2013 are analysed as follows:

	31.12.2012	Issues	Repayments	Net repurchase	Other movements [a)]	31.12.2013
			(in thousands of euro)			
Euro Medium Term Notes	10 087 137	1 433 796	(2 412 267)	(351 917)	(11 274)	8 745 475
Certificates of deposit	620 235	120 711 b)	(396 027)	-	(2 380)	342 539
Covered bonds	864 100	-	-	49 927	(12 905)	901 122
Debt bonds issued	2 470 593	433 862	(1 482 201)	(14 861)	(50 666)	1 356 727
Other	1 910 805	4 627 193	(5 259 297)	-	(9 356)	1 269 345
	15 952 870	6 615 562	(9 549 792)	(316 851)	(86 581)	12 615 208

[a)] Other movements include accrued interest, fair value adjustments and foreign exchange differences
[b)] Certificates of deposit are presented at the net value, considering their short term maturity

In accordance with the accounting policy described in Note 2.8, debt issued repurchased by the Group is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement. Following the repurchases performed in 31 December 2013 and in 31 December 2012, the Group has recognised a gain (already including the gains relating the exchange offer for the Fixed Rate Step-Up Notes described above) of euro 2.2 million and of euro 74.1 million, respectively (see Note 12).

The analysis of debt securities issued by the period to maturity is as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Up to 3 months	1 403 799	2 604 374
1 to 12 months	2 684 613	1 538 996
1 to 5 years	5 144 220	7 331 056
More than 5 years	3 382 576	4 478 444
	12 615 208	15 952 870

The main characteristics of debt securities issued are presented as follows:

(in thousands of euro)

Issuer	Description		31.12.2013				
			Currency	Issue date	Book Value	Maturity	Interest rate
BES	BES DUE JUN 14		EUR	2007	309 353	2014	Euribor 3 months + 0.15%
BES	BES 5.625% 2014		EUR	2009	1 347 784	2014	Fixed rate 5.63%
BES	BES 3.375%		EUR	2009	851 447	2015	Fixed rate 3.375%
BES	BES DUE 3.875%		EUR	2010	403 130	2015	Fixed rate 3.875%
BES	BES DUE 4.5%		EUR	2010	41 441	2017	Fixed rate 4.5%
BES	BES DUE JULY 16		EUR	2011	59 513	2016	Fixed rate 6.875%
BES	BES PORTUGAL NO	a)	EUR	2011	19 935	2014	Euribor 6 months + 3.5%
BES	BES PORTUGAL	a)	EUR	2011	21 081	2014	Euribor 6 months + 3.5%
BES	BES DUE FEB.14		EUR	2012	377 578	2014	Fixed rate 6.5%
BES	BES 4 YEAR 7%		EUR	2012	133 721	2016	Fixed rate 7%
BES	BES 6.9% 2024		EUR	2012	49 387	2024	Fixed rate 6.9%
BES	BES 26/10/2015		EUR	2012	50 385	2015	Euribor 6 months + 3.85%
BES	BES 5.875% 2015		EUR	2012	746 617	2015	Fixed rate 5.875%
BES	BES 4.75% 2018		EUR	2013	493 591	2018	Fixed rate: 4.75%
BES (Cayman Branch)	Bic 6.02% 07/18/14		EUR	2001	77 664	2014	Fixed rate - 6.02%
BES (Cayman Branch)	Bic 6.05% 27/07/15		EUR	2001	46 593	2015	Fixed rate - 6.05%
BES (Spain Branch)	Mortgage Bonds	a)	EUR	2003	153 763	2014	Fixed rate 4.5%
BES (Spain Branch)	Mortgage Bonds	a)	EUR	2008	89 369	2014	Fixed rate 4%
BES (Spain Branch)	Mortgage Bonds	a)	EUR	2008	83 252	2016	Fixed rate 4.75%
BES (Spain Branch)	IM BES EMPRESAS 1 FTA BONO A		EUR	2011	12 998	2043	Eur 1 m + 0.3%
BES (London Branch)	Certificates of deposits		EUR	2012	1 996	2014	Fixed rate 1.49%
BES (London Branch)	Certificates of deposits		USD	2012	210 440	2014	Fixed rate 3%
BES (London Branch)	Certificates of deposits		USD	2012	78 104	2014	Fixed rate 3%
BES (London Branch)	EMTN Series 1		EUR	2012	151 459	2014	Nominal rate 6.5%
BES (London Branch)	EMTN Series 2		EUR	2012	117 976	2016	Nominal rate 7%
BES (London Branch)	EMTN Series 3		EUR	2012	182 598	2022	Nominal rate 6%
BES (London Branch)	EMTN Series 4		EUR	2012	50 063	2014	Nominal rate 6.5%
BES (London Branch)	EMTN Series 5		EUR	2012	42 973	2016	Nominal rate 7%
BES (London Branch)	EMTN Series 6		EUR	2012	148 545	2022	Nominal rate 5%
BES (London Branch)	EMTN Series 7		EUR	2012	155 046	2015	Nominal rate 5%
BES (London Branch)	EMTN Series 8		EUR	2012	46 713	2015	Nominal rate 6.75%
BES (London Branch)	EMTN Series 9		EUR	2012	231 665	2015	Nominal rate 5.75%
BES (London Branch)	EMTN Series 10		EUR	2012	511 101	2019	Nominal rate 6%
BES (London Branch)	EMTN Series 11		EUR	2012	70 226	2015	Nominal rate 6.75%
BES (London Branch)	EMTN Series 12		EUR	2012	320 910	2019	Nominal rate 5%
BES (London Branch)	EMTN Series 13		EUR	2012	223 221	2019	Nominal rate 5%
BES (London Branch)	EMTN Series 14		EUR	2012	207 516	2019	Nominal rate 5%
BES (London Branch)	EMTN Series 15		EUR	2012	24 766	2014	Nominal rate 5.5%
BES (Luxembourg Branch)	BES Luxembourg 6.75% 28/06/17		EUR	2012	20 657	2017	Nominal rate - 6.75%
BES (Luxembourg Branch)	BES Luxembourg 3% 21/06/22		USD	2012	68 857	2022	Nominal rate - 3%
BES (Luxembourg Branch)	BES Luxembourg 3.5% 02/01/43		EUR	2013	49 765	2043	Fixed rate - 3.5%
BES (Luxembourg Branch)	BES Luxembourg 3.5% 23/01/43		EUR	2013	43 097	2043	Fixed rate - 3.5%
BES (Luxembourg Branch)	BES Luxembourg 3.5% 19/02/2043		EUR	2013	82 647	2043	Fixed rate - 3.5%
BES (Luxembourg Branch)	BES Luxembourg 3.5% 18/03/2043		EUR	2013	56 585	2043	Fixed rate - 3.5%
BES (Luxembourg Branch)	BES Luxembourg ZC		EUR	2013	28 573	2048	Fixed rate - 7%
BES Finance	EMTN 37		EUR	2004	32 199	2029	Fixed rate 5.30%
BES Finance	EMTN 39		EUR	2005	160 051	2015	Euribor 3 months + 0.73%
BES Finance	EMTN 40	a)	EUR	2005	216 614	2035	6.00% Indexed to Swap rate
BES Finance	EMTN 56		EUR	2009	23 037	2019	Fixed rate 7.13%
BES Finance	EMTN 57		EUR	2009	18 512	2014	Fixed rate 7.09%
BES Finance	EMTN 58		EUR	2009	23 729	2045	Fixed rate 7.06%
BES Finance	EMTN 59		EUR	2009	25 876	2042	Fixed rate 6.64%
BES Finance	EMTN 60		EUR	2009	27 329	2040	Fixed rate 6.31%
BES Finance	EMTN 61		EUR	2009	25 538	2041	Fixed rate 6.87%
BES Finance	EMTN 63		EUR	2009	6 105	2039	Fixed rate 3%
BES Finance	Exchangeable Bonds (EDP)	a)	EUR	2010	10 231	2015	Fixed rate 3%
BES Finance	EMTN 81	a)	EUR	2010	6 152	2015	Fixed rate 3.19%
BES Finance	EMTN 82	a)	EUR	2010	6 202	2015	Fixed rate 3.19%
BES Finance	EMTN 83	a)	EUR	2010	6 615	2015	Fixed rate 3.19%
BES Finance	EMTN 84	a)	EUR	2010	6 170	2015	Fixed rate 3.19%
BES Finance	EMTN 85	a)	EUR	2010	8 264	2015	Fixed rate 3.19%
BES Finance	EMTN 95	a)	EUR	2011	8 189	2015	Fixed rate 5.75%
BES Finance	EMTN 97	a)	EUR	2011	7 013	2016	Fixed rate 5.75%
BES Finance	EMTN 98	a)	EUR	2011	9 150	2015	Fixed rate 5.75%
BES Finance	EMTN 99	a)	EUR	2011	9 150	2015	Fixed rate 5.75%
BES Finance	EMTN 100	a)	EUR	2011	9 150	2015	Fixed rate 5.75%
BES Finance	EMTN 106	a)	EUR	2011	8 065	2015	Fixed rate 5.51%
BES Finance	EMTN 107	a)	EUR	2011	9 364	2015	Fixed rate 5.51%
BES Finance	EMTN 108	a)	EUR	2011	10 641	2015	Fixed rate 5.51%
BES Finance	EMTN 109	a)	EUR	2011	10 611	2015	Fixed rate 5.61%
BES Finance	EMTN 110	a)	EUR	2011	10 611	2015	Fixed rate 5.61%
BES Finance	EMTN 112	a)	EUR	2011	50 490	2014	Fixed rate 6%
BES Finance	EMTN 113	a)	EUR	2011	69 878	2021	Fixed rate 5%
BES Finance	EMTN 114	a)	EUR	2011	20 262	2021	Fixed rate 5%
BES Finance	Exchangeable Bonds		USD	2013	310 985	2016	Fixed rate 7.5%
BESI Group	ESIP OCT24 ESFP LINKED CMS NOTE	a)	EUR	2004	8 149	2024	Fixed rate + Indexed to CMS
BESI Group	ESIP CALL RANGE ACCRUAL MAY2015	a)	EUR	2005	1 227	2015	Range accrual
BESI Group	ESIP RANGE ACCRUAL JUN15	a)	EUR	2005	244	2015	Range accrual
BESI Group	ESIP EUR LEVERAGE SNOWBALL JUL15	a)	EUR	2005	1 268	2015	Fixed rate + Snowball b)
BESI Group	ESIP AUG05 SEP35 CALLABLE INV FL	a)	EUR	2005	9 862	2035	Euribor 12 months + c)
BESI Group	ESIP LEVERAGE SNOWBALL SEP2015	a)	EUR	2005	2 319	2015	Fixed rate + Snowball + b)
BESI Group	ESIP CALL RANGE ACCRUAL NOV2017	a)	EUR	2005	1 256	2017	Range accrual
BESI Group	ESIP 30CMS 2CMS LKD NOTE NOV2036	a)	EUR	2005	14 163	2036	Fixed rate 7.44% + Indexed to CMS
BESI Group	BESI DOCK R ACCRUAL TARN MAR2016	a)	EUR	2006	849	2016	Fixed rate 6% + Range Accrual
BESI Group	ESIP EUR12M+16 DP APR2016		EUR	2006	4 017	2016	Euribor 12M
BESI Group	ESIP JAN2017 INDEX BASKET LKD	a)	EUR	2007	11 200	2017	d)
BESI Group	ESIP MAY14 EQUIT BASKT LINKED	a)	USD	2007	1 866	2014	e)
BESI Group	ESIP DEC2015 BASKET LINKED	a)	EUR	2007	753	2015	Indexed to BBVA, Crédit Agricole and Fortis
BESI Group	ESIP BARCLAYS LKD ZC MAR2016	a)	EUR	2008	649	2016	ZC + f)
BESI Group	ESIP BARCLAYS LKD 6.30% MAR2016	a)	EUR	2008	405	2016	Fixed rate 6.30% + f)
BESI Group	ESIP LACAIXA EUR3M+2% MAR2016	a)	EUR	2009	2 805	2016	Euribor 3M+2% + f)
BESI Group	ESIP JUL2014 INFLATION LINKED	a)	EUR	2009	1 397	2014	Indexed to inflation
BESI Group	ESIP FEB2020 EQL LINKED	a)	EUR	2009	61	2020	g)

(in thousands of euro)

Issuer	Description		Currency	Issue date	Book Value	Maturity	Interest rate
			31.12.2013				
BESI Group	ESIP CLN 5.45% OCT2014	a)	EUR	2009	203	2014	f)
BESI Group	ESIP OCT2014 EQL	a)	EUR	2009	1 325	2014	Indexed to Gazprom, Nokia and DU PONT
BESI Group	ESIP CMPOR CLN EURIBOR3M DEC2014	a)	EUR	2009	3 520	2014	f)
BESI Group	ESIP FTD IBERIA 5.55% DEC2014	a)	EUR	2009	733	2014	f)
BESI Group	ESIP FTD IBERIA 5.5% DEC2014	a)	EUR	2009	5 071	2014	f)
BESI Group	ESIP USD FTD IBERIA 5.5% DEC2014	a)	USD	2009	3 439	2014	f)
BESI Group	ESIP DEC2014 SX5E LINKED	a)	EUR	2009	4 500	2014	Indexed to DJ Eurostoxx 50
BESI Group	ESIP BRAZIL EQL LINKED	a)	EUR	2009	3 162	2014	h)
BESI Group	ESIP BSKT MERC EMERG EQL FEB2014	a)	EUR	2010	2 428	2014	i)
BESI Group	ESIP DJ US REAL EST LKD MAR2015	a)	EUR	2010	800	2015	Indexed to Ishares DJ US Real State Index fund
BESI Group	ESIP USDEUR FX LKD MAY2015	a)	EUR	2010	788	2015	Indexed to EUR/USD
BESI Group	BESI BVMF STDRAS 5.625% MAR2015REGS	a)	USD	2010	274 733	2015	5.625% a.a
BESI Group	ESIP CRDAGRI CL EUR6M+1.15 JUN15	a)	EUR	2010	2 119	2015	Euribor 6M ACT/360
BESI Group	ESIP FTD CRD LINKED JUN2015	a)	EUR	2010	4 122	2015	j)
BESI Group	ESIP BRAZIL EQL MAY2016	a)	EUR	2010	3 379	2016	k)
BESI Group	ESIP SX5E MAY14 EQL	a)	EUR	2010	2 066	2014	Indexed to Eurostoxx
BESI Group	ESIP BASKET LKD JUL2014	a)	EUR	2010	1 100	2014	l)
BESI Group	BESI SEP2014 EQL LINKED	a)	EUR	2010	4 323	2014	m)
BESI Group	BESI SEP2014 ORIENTE IV EQL	a)	EUR	2010	13 441	2014	n)
BESI Group	ESIP SEP15 DIGITAL	a)	USD	2010	1 061	2015	Digital US Libor 3M
BESI Group	ESIP ASIA INDEX LKD SEP2014	a)	EUR	2010	1 484	2014	o)
BESI Group	ESIP DEC2015 CREDLINKED BSCH	a)	EUR	2011	1 400	2015	Indexed to BBVA, Credit Agricole and Fortis
BESI Group	ESIP CABAZ BRASIL LKD FEB14	a)	EUR	2011	1 616	2014	p)
BESI Group	ESIP FEB16 5A EXPOSIC AFRICA LKD	a)	EUR	2011	972	2016	q)
BESI Group	ESIP EXPOSICAO EURUSD LKD FEB14	a)	EUR	2011	776	2014	FX EUR/USD Linked
BESI Group	ESIP DUAL5%+AFRICA LKD FEB16	a)	EUR	2011	1 221	2016	r)
BESI Group	ESIP SX5E LKD FEB14	a)	EUR	2011	300	2014	Eurostoxx Linked
BESI Group	ESIP CLN EDP MAR2014	a)	EUR	2011	10 487	2014	7% + CLN EDP
BESI Group	ESIP MAR14 BES USDBRL LINKED	a)	EUR	2011	1 437	2014	USD/BRL Linked
BESI Group	ESIP APR2015 BES ENERGIA LINKED	a)	EUR	2011	5 859	2015	Espírito Santo Rockefeller Global Linked
BESI Group	ESIP MAR14 EURCHF LINKED	a)	EUR	2011	1 165	2014	FX EUR/CHF Linked
BESI Group	ESIP CLN SANTANDER MAR2014	a)	EUR	2011	6 166	2014	6.35% + CLN BSCH SUB
BESI Group	ESIP EDP MAR2014 CLN	a)	EUR	2011	15 242	2014	6.6% + CLN EDP
BESI Group	ESIP SX5E SPX LKD MAR2016	a)	EUR	2011	1 156	2016	Eurostoxx Linked
BESI Group	ESIP APR2015 BES ENERGIA LKD	a)	USD	2011	2 528	2015	Espírito Santo Rockefeller Global Linked
BESI Group	ESIP MAR2014 TEF FTE LINKED	a)	EUR	2011	920	2014	Telefonica and France Telecom Linked
BESI Group	ESIP APR2014 HEALTH CARE LKD	a)	EUR	2011	8 796	2014	Health Care Select Sector SPDR Fund Linked
BESI Group	ESIP HEALTH CARE LKD APR2014	a)	EUR	2011	1 926	2014	s)
BESI Group	ESIP TEF PT LKD 26APR2014	a)	EUR	2011	390	2014	Telefonica e Portugal Telecom Linked
BESI Group	ESIP EDP CLN JUN2014	a)	EUR	2011	13 534	2014	7% + CLN EDP
BESI Group	ESIP TEF PT LKD APR2014	a)	EUR	2011	391	2014	Telefonica e Portugal Telecom Linked
BESI Group	ESIP EUR PT CLN JUN2014	a)	EUR	2011	10 038	2014	6.75% + CLN PT
BESI Group	ESIP BES MOMENTUM JUN2015	a)	EUR	2011	6 966	2015	Espírito Santo Momentum Fund Linked
BESI Group	ESIP BSCH CLN JUN2014	a)	EUR	2011	5 846	2014	6.1% + CLN BSCH
BESI Group	ESIP BES PROTECCAO JUN2014	a)	EUR	2011	50 974	2014	t)
BESI Group	ESIP BRAZIL NOTES LKD MAY2016	a)	EUR	2011	1 624	2016	EUR/BRL Linked
BESI Group	ESIP BES SANOS EFIC ENERG JUNE16	a)	EUR	2011	2 803	2016	u)
BESI Group	ESIP PETROBRAS CLN JUN2014	a)	USD	2011	2 205	2014	3-Month USD libor + 3.70% + CLN PETROBRAS
BESI Group	ESIP PT II CLN JUN2014	a)	EUR	2011	7 624	2014	7% + CLN PT
BESI Group	ESIP TEF PT JUN2014	a)	EUR	2011	1 496	2014	Telefonica e Portugal Telecom Linked
BESI Group	ESIP SANTANDER CLN JUN2014	a)	EUR	2011	2 764	2014	6.4% + CLN BSCH
BESI Group	ESIP BES PROTECCAO II JUN2014	a)	EUR	2011	23 915	2014	Inflation and Euribor 12M Liked
BESI Group	ESIP EUR PRICING POWER 5Y JUL14	a)	EUR	2011	1 691	2016	v)
BESI Group	ESIP SX5E JUL15 EQL	a)	EUR	2011	1 594	2015	Eurostoxx Linked
BESI Group	ESIP AUG14 ES ROCKEFELLERGLO LKD	a)	EUR	2011	901	2014	Espírito Santo Rockefeller Linked
BESI Group	ESIP BARCLAYS CLN SEP2014	a)	EUR	2011	2 479	2014	6% + Barclays CLN
BESI Group	ESIP AUG14 INFLATION LKD	a)	EUR	2011	38 404	2014	Inflation Linked
BESI Group	ESIP AUG2014 ALEMANHA EQL LINKED	a)	EUR	2011	1 786	2014	w)
BESI Group	ESIP BRL FXL LINKED SEP2016	a)	EUR	2011	731	2016	Fx linked
BESI Group	ESIP SEP14 TRY LKD	a)	EUR	2011	377	2014	Fx linked
BESI Group	ESIP BANCO POPULAR CLN SEP2014	a)	EUR	2011	3 189	2014	8.75% + POPULAR CLN
BESI Group	ESIP BCO POPULAR CLN SEP2014	a)	EUR	2011	1 315	2014	8.75% + POPULAR CLN
BESI Group	ESIP SEP2014 INFLATION EURIBOR	a)	EUR	2011	78 096	2014	Inflation and Euribor 12M Linked
BESI Group	ESIP SEP2014 PSI20 EQL 4	a)	EUR	2011	5 190	2014	PSI20 Linked
BESI Group	ESIP NOV2015 BES1%GLOBAL LINKED	a)	EUR	2011	29 244	2015	x)
BESI Group	ESIP BCO POPULAR CRDLK SEP2014	a)	EUR	2011	7 705	2014	9.40% + Banco Popular CLN
BESI Group	ESIP OCT2014 WORLD INVESTM EQL 3	a)	EUR	2011	1 349	2014	d)
BESI Group	ESIP PT CLN DEC2014	a)	EUR	2011	20 136	2014	11% + PT CLN
BESI Group	BESI 1.8% GOLD APR2015	a)	EUR	2011	1 868	2015	Fixed rate 1.8% + indexed to ouro
BESI Group	ESIP AUTOCALLABLE 2014	a)	EUR	2011	2 465	2014	y)
BESI Group	ESIP TELECOM ITALIA CLN DEC2014	a)	EUR	2011	5 262	2014	7.25% + Telecom Italia CLN
BESI Group	ESIP SPANISH NOTES NOV 2016	a)	EUR	2011	16	2016	z)
BESI Group	ESIP EDP USD CLN DEC2014	a)	USD	2011	1 580	2014	6.5% + EDP CLN
BESI Group	ESIP WORLD INVESTMENT II DEC2014	a)	EUR	2011	848	2014	d)
BESI Group	ESIP TELEFONICA CLN DEC2014	a)	EUR	2011	4 673	2014	7.15% + Telefonica CLN
BESI Group	ESIP PORTUGUESE REP CLN DEC2021	a)	EUR	2011	26 566	2021	6% + República Portuguesa CLN
BESI Group	ESIP UTILITIES SHS DEC2018	a)	EUR	2011	748	2018	aa)
BESI Group	ESIP UTILIT FINANCIALS SHS DEC18	a)	EUR	2011	4 605	2018	ab)
BESI Group	ESIP EWZ EQL JAN2015	a)	EUR	2012	862	2015	EWZ Linked
BESI Group	ESIP FEB15 EMP NORDICAS EQL	a)	EUR	2012	1 838	2015	ac)
BESI Group	ESIP AUG2014 CABAZ MOEDAS 12-14	a)	EUR	2012	7 446	2014	ad)
BESI Group	ESIP CABAZMOEDA VS EUR FEB16 FXL	a)	EUR	2012	753	2016	ad)
BESI Group	ESIP EMPRES CHINESAS FEB2017 EQL	a)	EUR	2012	1 226	2015	ae)
BESI Group	ESIP EDP MAR2014 CLN 2	a)	EUR	2012	13 799	2014	6.5% + EDP CLN
BESI Group	ESIP TWN VWI EURUSD MAR2015	a)	EUR	2012	928	2015	EUR/USD Linked
BESI Group	ESIP LUXURY GOODS LKD MAR2015	a)	EUR	2012	1 262	2015	af)
BESI Group	ESIP PSI20 LKD MAR2015	a)	EUR	2012	3 590	2015	PSI20 Linked
BESI Group	ESIP DUAL UPGRADE MAR2014	a)	EUR	2012	893	2014	ag)
BESI Group	ESIP DIG CITI EURIBOR 3M MAR2015	a)	EUR	2012	1 601	2015	Digital EURIBOR 3M
BESI Group	ESIP APR2016 RECOV BASKET LINKED	a)	EUR	2012	379	2016	ah)
BESI Group	BESI CLN REP PORTUGUESA OCT2014	a)	EUR	2012	2 382	2014	República portuguesa CLN
BESI Group	ESIP APR2015 PSI20 LINKED	a)	EUR	2012	1 300	2015	PSI20 Linked
BESI Group	ESIP APR2020 BES PROTECCAO LKD	a)	EUR	2012	346	2015	Inflation Linked
BESI Group	ESIP PT 3YR CREDIT LKD JUN15	a)	EUR	2012	10 523	2015	7.75% + PT CLN
BESI Group	ESIP PT 3YR CREDIT LINKED JUN15	a)	EUR	2012	11 218	2015	7.75% + PT CLN
BESI Group	ESIP BES TECNOLOGIA JUN2015 EQL	a)	EUR	2012	4 720	2015	ai)
BESI Group	ESIP EXPOSICAO PETROLEO JUN2015	a)	EUR	2012	155	2015	Brent Linked
BESI Group	ESIP BES EXPOS PETROLE JUN15 EQL	a)	EUR	2012	2 372	2015	Brent Linked
BESI Group	ESIP RECOV BSKT LINKED JUN2019	a)	EUR	2012	1 148	2019	aj)
BESI Group	ESIP EDP 3YR CREDIT LINKED JUN15	a)	EUR	2012	16 427	2015	8% + EDP CLN
BESI Group	ESIP EDP 3YR II CREDIT LKD JUN15	a)	EUR	2012	12 788	2015	8% + EDP CLN
BESI Group	ESIP TELECOM ITALIA CLN SEP2015	a)	EUR	2012	4 319	2015	7% + TELECOM ITALIA CLN
BESI Group	ESIP PT TELECO CLN SEP2015	a)	EUR	2012	6 544	2015	7% + PT CLN
BESI Group	ESIP SEP2015 EDP LKD	a)	USD	2012	1 530	2015	7.45% + EDP CLN

(in thousands of euro)

Issuer	Description		31.12.2013				Interest rate
			Currency	Issue date	Book Value	Maturity	
BESI Group	ESIP EDP CLN SEP2015	a)	EUR	2012	8 165	2015	6.25% + EDP CLN
BESI Group	ESIP EUR BRL SEP2017	a)	EUR	2012	1 442	2017	EUR/BRL Linked
BESI Group	ESIP BES EXP COMMOD AGRICOL EQL4	a)	EUR	2012	8 629	2014	ak)
BESI Group	ESIP COMMOD AGRICOL EQL5 OCT2015	a)	EUR	2012	4 757	2015	al)
BESI Group	ESIP BASKET LINKED OCT2019	a)	EUR	2012	1 076	2019	am)
BESI Group	ESIP BRAZILIAN NOTES IV OCT2017	a)	EUR	2012	716	2017	EUR/BRL Linked
BESI Group	ESIP IBERIA NOV2015	a)	EUR	2012	2 258	2015	IBEX+PSI20 Linked
BESI Group	ESIP TURKISH LIRA EQL5 OCT2015	a)	EUR	2012	1 530	2015	EUR/TRY Linked
BESI Group	ESIP BASKET OCT2019 EQ12	a)	EUR	2012	1 776	2019	BFP e BSCH Linked
BESI Group	ESIP COMMODITIES NOV2015	a)	EUR	2012	3 668	2015	an)
BESI Group	ESIP DEC2015 CRDLKD EUR FTD TELE	a)	EUR	2012	14 764	2015	ao)
BESI Group	ESIP DEC2012 BASKET FTD	a)	EUR	2012	1 551	2015	ap)
BESI Group	ESIP DEC2016 AUTOCALL BRASIL	a)	EUR	2012	6 374	2016	aq)
BESI Group	ESIP DEC2017 EDP PT TEL ITAL UK	a)	EUR	2012	1 785	2017	ar)
BESI Group	ESIP DEC2015 CRDLKD EDP	a)	EUR	2012	1 611	2015	5.25% + EDP CLN
BESI Group	ESIP DEC2015 CRDLKD EDP PT	a)	EUR	2012	4 075	2015	6.50% + EDP PT CLN
BESI Group	ESIP DEC2015 CRDLKD EDP PT TCM	a)	EUR	2012	2 019	2017	as)
BESI Group	ESIP DEC2017 RENAULT PT LINKED	a)	EUR	2012	4 630	2017	8.65% + RENAULT PT CLN
BESI Group	ESIP DEC2015 FTD CRD LKD	a)	EUR	2013	4 849	2015	at)
BESI Group	ESIP AUTOCALL JAN20 EQL	a)	EUR	2013	558	2020	au)
BESI Group	ESIP SX5E BOOSTER JAN2016	a)	EUR	2013	2 358	2016	SX5E Linked
BESI Group	ESIP SX5E BULLISH JAN2016	a)	EUR	2013	2 602	2016	SX5E Linked
BESI Group	BES MAR2018 FTD CRD LKD	a)	EUR	2013	2 914	2018	av)
BESI Group	BES MAR2016 FTD CRD LKD USD	a)	USD	2013	2 003	2016	aw)
BESI Group	ESIP 4Y AUTOCALL FEB2017 EQL	a)	EUR	2013	9 649	2017	ax)
BESI Group	ESIP 2Y AUTOCALL BES EQL FEB2015	a)	EUR	2013	849	2015	BES Linked
BESI Group	ESIP BULLISH IBERIA MAR2016	a)	EUR	2013	4 720	2016	ay)
BESI Group	ESIP TURKISH LIRA EQL MAR2018	a)	EUR	2013	2 231	2018	EUR/TRY Linked
BESI Group	ESIP 3Y WIN MAR2016	a)	EUR	2013	1 714	2016	az)
BESI Group	ESIP BARCLAYS 2Y EQL MAR2015	a)	EUR	2013	1 061	2015	BARCLAYS Linked
BESI Group	ESIP CLN GALP MAR2018	a)	EUR	2013	5 858	2018	EUR GALP CLN Linked
BESI Group	ESIP 3Y AUTOCAL IBERIA EQL MAR16	a)	EUR	2013	1 803	2016	ba)
BESI Group	ESIP BASKET NOTES APR2016	a)	EUR	2013	1 472	2016	Indexed to a basket composed by Coca-Cola, France Telecom, Vivendi and YUM Brands Inc
BESI Group	ESIP BULLISH PARES PFRF APR16	a)	EUR	2013	836	2016	Indexed to a basket composed by PSI20, MIB and IBEX30
BESI Group	ESIP AC INDICES GLOBAIS APR16	a)	EUR	2013	1 719	2016	Indexed to a basket composed by Eurostoxx, SP500 and Nikkei
BESI Group	ESIP USD CLN GALP MAR2018	a)	USD	2013	7 445	2018	USD GALP CLN Linked
BESI Group	ESIP 3Y AC SAN TELE REP APR2016	a)	EUR	2013	1 030	2016	ay)
BESI Group	ESIP BULLISH EUROSTOXX APR2016	a)	EUR	2013	1 251	2016	Eurostoxx Linked
BESI Group	ESIP BULLISH EWZ APR2016	a)	EUR	2013	468	2016	EWZ Linked
BESI Group	ESIP BULLISH HSCEI APR2016	a)	EUR	2013	955	2016	HSCEI Linked
BESI Group	BES INVESTIMENTO DO 2.90000 29/06/2014		USD	2013	7 570	2014	0.03
BESI Group	ESIP 3Y WIN MAY16	a)	EUR	2013	1 694	2016	Indexed to a basket composed by Eurostoxx, SP500 and Nikkei
BESI Group	ESIP CLN PT INT FIN 3.5Y DEC16	a)	EUR	2013	11 903	2016	Credit Linked Note Portugal Telecom
BESI Group	ESIP FEB16 BULLISH ES AFRICA LKD	a)	EUR	2013	1 319	2018	Espírito Santo Africa Linked
BESI Group	ESIP WRC BBVA SAN MAY2014	a)	EUR	2013	1 030	2014	BBVA & Santander Linked
BESI Group	ESIP CLN TELECOM ITALIA JUNE15	a)	EUR	2013	6 072	2016	Credit Linked Note Telecom Italia
BESI Group	ESIP 3Y AC GALP REPSOL JUN16	a)	EUR	2013	1 650	2016	GALP e REPSOL Linked
BESI Group	ESIP USD CLN ESFPORTUGA 3Y MAY16	a)	USD	2013	6 156	2016	ESFP CLN
BESI Group	ESIP CLN ESFPORTUGAL 3Y MAY16	a)	EUR	2013	6 392	2016	ESFP CLN
BESI Group	ESIP 3Y BULLISH REINO UNID JUN16	a)	EUR	2013	867	2016	UKX Linked
BESI Group	ESIP CLN ESFPORTUGAL 3Y N MAY16	a)	EUR	2013	7 311	2016	ESFP CLN
BESI Group	ESIP 3Y BULLISH BRAZ REAL JUN16	a)	EUR	2013	1 643	2016	EUR/BRL Linked
BESI Group	ESIP PT INT. FINANCE DEC16	a)	EUR	2013	2 876	2016	PT CLN
BESI Group	ESIP 3Y AC ENERGIA IBERICA JUN16	a)	EUR	2013	2 527	2016	GALP e REPSOL Linked
BESI Group	ESIP FTD TI, ENEL, PT CLN SEP16	a)	EUR	2013	1 499	2016	TELECOM ITALIA, ENEL, PT CLN
BESI Group	ESIP FTD BRISA, EDP, PT CL SEP16	a)	EUR	2013	2 241	2016	BRISA, EDP, PT CLN
BESI Group	ESIP 3Y AC BBVA EQL JUL16	a)	EUR	2013	1 443	2016	az)
BESI Group	ESIP 3Y RENDIMENTO UK EQL JUL16	a)	EUR	2013	1 311	2016	ba)
BESI Group	ESIP CLN PTI FIN SEP2018	a)	EUR	2013	16 365	2018	7.45% + CLN PT
BESI Group	ESIP USD CLN ASCENDI JUL2015	a)	USD	2013	4 231	2015	6% + Ascendi CLN
BESI Group	ESIP USD CLN ESFIL AUG14	a)	USD	2013	8 878	2014	4.75% + ESFIL CLN
BESI Group	ESIP USD CLN PT JUL2018	a)	USD	2013	1 501	2018	7.35% + CLN PT
BESI Group	ESIP USD TARN USDTRY JUL2018	a)	USD	2013	692	2018	bb)
BESI Group	ESIP 3Y AC SX7P AUG2016	a)	EUR	2013	1 421	2016	bc)
BESI Group	ESIP 3Y AC MULTICH ECONM AUG2016	a)	EUR	2013	663	2016	bd)
BESI Group	ESIP 4Y LEVERAGE EURIBOR AUG2017	a)	EUR	2013	3 182	2017	be)
BESI Group	ESIP CLN TELECOM ITALIA SEP2018	a)	EUR	2013	19 299	2018	5.90% + Telecom Italia CLN
BESI Group	ESIP 2Y AC REPSOL SEP15	a)	EUR	2013	746	2015	bf)
BESI Group	ESIP 3Y CLN BRISA SEP16	a)	EUR	2013	2 241	2016	6% + Brisa CLN
BESI Group	ESIP CLN THYSSENKRUPP SEP2018	a)	EUR	2013	13 197	2018	5.50% + THYSSENKRUPP CLN
BESI Group	ESIP 2Y AC SANTANDER OCT15	a)	EUR	2013	1 264	2015	bg)
BESI Group	ESIP CLN COMPORTA OCT2020	a)	EUR	2013	5 086	2020	bh)
BESI Group	ESIP SAN TEF EQL OCT2017	a)	EUR	2013	2 214	2017	bi)
BESI Group	ESIP 2Y RENDIMENTO CMDT OCT15	a)	EUR	2013	2 902	2015	bj)
BESI Group	ESIP 3Y CLN PT SEP16	a)	EUR	2013	10 287	2016	5% + PT CLN
BESI Group	ESIP 3Y VALORIZAÇAO EUROPA OCT16	a)	EUR	2013	201	2016	SX5E Linked
BESI Group	ESIP REVERSE CONVT SX5E APR15	a)	EUR	2013	557	2015	SX5E Linked
BESI Group	ESIP EUR 5Y EDP, PT, THYSS DEC18	a)	EUR	2013	549	2018	7.15% + bk)
BESI Group	ESIP EUR 5Y EDP, PT, TI DEC18	a)	EUR	2013	2 209	2018	7.15% + bk)
BESI Group	ESIP EUR 5Y CLN EDP DEC19	a)	EUR	2013	1 002	2019	6.25% + EDP CLN
BESI Group	ESIP REV. CONV. SANTANDER APR14	a)	EUR	2013	519	2014	bl)
BESI Group	ESIP 2Y AC TELECOMS EQL OCT15	a)	EUR	2013	1 548	2015	bf)
BESI Group	ESIP CLN BRITISH AIRWAYS DEC18	a)	EUR	2013	5 612	2018	6% + British Airways CLN
BESI Group	ESIP CLN THYSSENKRUPP DEC18	a)	EUR	2013	6 064	2018	5.5% + Thyssenkrupp CLN
BESI Group	ESIP 2Y AC SANTANDER NOV2015	a)	EUR	2013	4 895	2015	bg)
BESI Group	ESIP 2Y BONUS EU STOXX50 NOV2015	a)	EUR	2013	3 414	2015	SX5E Linked
BESI Group	ESIP 3Y AC WO C&D NOV16	a)	EUR	2013	1 722	2016	bm)
BESI Group	ESIP 3Y AC WO SANT & TELE NOV16	a)	EUR	2013	554	2016	bl)
BESI Group	ESIP 3Y VALORIZACAO BC EUR NOV16	a)	EUR	2013	485	2016	bn)
BESI Group	ESIP 4Y AC WO BBVA APPLE NOV2017	a)	EUR	2013	955	2017	bo)
BESI Group	ESIP 4Y BULLISH EUROSTOXX NOV2017	a)	EUR	2013	1 312	2017	SX5E Linked
BESI Group	ESIP BULLISH IBERIA NOV2015	a)	EUR	2013	953	2015	ev)
BESI Group	ESIP CLN BRITISH AIR DEC18	a)	EUR	2013	1 214	2018	5.35% + British Airways CLN
BESI Group	ESIP EUR 5Y EDP, PT, TITA DEC18	a)	EUR	2013	3 177	2018	6.85% + w)
BESI Group	ESIP EUR 6Y CLN BKT 8 REF DEC19	a)	EUR	2013	921	2019	7.15% + bk)
BESI Group	ESIP USD 5Y EDP, PT, TIT DEC18	a)	USD	2013	4 709	2018	7% + Telecom Italia, PT, EDP CLN
BESI Group	ESIP 3Y AC ACOES PORTUG DEC16	a)	EUR	2013	4 164	2016	bj)
BESI Group	ESIP 3Y AC EWW DEC16	a)	EUR	2013	580	2016	bq)
BESI Group	ESIP 3Y AC WO GLAXO DAIMLE DEC16	a)	EUR	2013	573	2016	bs)
BESI Group	ESIP 3Y AC WO JMT GALP DEC16	a)	EUR	2013	514	2016	bt)
BESI Group	ESIP 5Y FTD EDP, PT, BRISA DEC18	a)	EUR	2013	1 596	2018	6.5% + bs)
BESI Group	ESIP CLN PEUGEOT SA DEC16	a)	EUR	2013	1 954	2016	4.35% + PEUGEOT CLN
BESI Group	ESIP CLN PT INT FIN DEC18	a)	EUR	2013	2 290	2018	5% + PT CLN
BESI Group	ESIP CLN TELECOM ITALIA SP DEC16	a)	EUR	2013	1 556	2016	4% + Telecom Italia CLN

ESPÍRITO SANTO FINANCIAL GROUP S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013 AND 2012 – (Continued)
(Amounts expressed in thousands of euro, except when indicated)

(in thousands of euro)

			31.12.2013				
Issuer	Description		Currency	Issue date	Book Value	Maturity	Interest rate
BESI Group	ESIP DUAL HEATHCARE JUN2014	a)	EUR	2013	1 001	2016	b)
BESI Group	LCA - Letter Credit of agro		BRL	2012 - 2013	4 926	2014	CDI 92% to 99%
BESI Group	LCA APOS		BRL	2013	73 932	2014	CDI 90% to 99%
BESI Group	LCA NOVA		BRL	2013	36 998	2014	CDI 90% to 100%
BESI Group	LCA PRE		BRL	2013	502	2014	PRE 100% + 10.05% to 10.73%
BESI Group	Letter of Real Estate Credit LCI		BRL	2013	1 724	2014	CDI 94% to 98%
BESI Group	LF FINANCIAL LETTER BES INVESTIMENTO		BRL	2012 - 2013	32 895	2014 - 2017	CDI 100% to 118%
BESI Group	LF FINANCIAL LETTER IPCA		BRL	2013	1 629	2018	IPCA 100% + 5.8928%
ESPLC	BES1213_25E BESESPLC13/02/2014		EUR	2013	173 118	2014	Fixed rate 0.73%
ESPLC	BES1213_26E BESESPLC14/02/2014		EUR	2013	127 112	2014	Fixed rate 0.74%
ESPLC	BES0314_28E BESESPLC07/03/2014		EUR	2013	120 656	2014	Fixed rate 0.73%
ESPLC	BES0314_29E BESESPLC14/03/2014		EUR	2013	150 649	2014	Fixed rate 0.74%
ESPLC	BES0314_27E BESESPLC06/03/2014		EUR	2013	130 921	2014	Fixed rate 0.73%
ESPLC	BES0314_30E BESESPLC20/03/2014		USD	2013	7 237	2014	Fixed rate 1.12%
Lusitano Mortgage nº 6	Class A Mortgage Backed Floating Rate Notes		EUR	2007	489 900	2060	Euribor + 0.20%
Lusitano Mortgage nº 6	Class B Mortgage Backed Floating Rate Notes		EUR	2007	6 502	2060	Euribor + 0.30%
Lusitano Mortgage nº 6	Class C Mortgage Backed Floating Rate Notes		EUR	2007	10 003	2060	Euribor + 0.45%
Lusitano SME nº 1	Class A asset backed floating rate notes		EUR	2006	30 177	2028	Euribor + 0.15%
Lusitano SME nº 1	Class B asset backed guaranteed floating rate notes		EUR	2006	32 516	2028	Euribor + 0.07%
Lusitano SME nº 1	Class C asset backed floating rate notes		EUR	2006	27 105	2028	Euribor + 2.20%
BESV	Certificates of deposits		EUR	2013	31 991	2014	0.9% - 3.1%
ESFG	Fixed Rate Step up Notes due 2025 with warrants		EUR	2005	75 618	2025	5.85%
ESFG	Convertible Bonds due 2025		EUR	2011	85 135	2025	9.75%
ESFG	Exchangeable Bonds due 2018		EUR	2013	146 703	2018	3.125%
ESFIL	Medium term Notes		EUR	2012	27 657	2014	5%
ESFIL	Fixed Rate Notes - EMTN		EUR	2013	176 802	2015	5.25%
ESFIL	Fixed Rate Notes - ECP		EUR	2013	43 554	2014	2.75% - 6.05%
ESFIL	Fixed Rate Notes - ECP		USD	2013	120 591	2014	2.75% - 3.5%
ESF (P)	Bonds		EUR	2013	10 236	2017	5.625%
ESF (P)	Bonds		EUR	2013	40 179	2016	5.125%
					12 615 200		

a) Liabilities at fair value through profit and loss or with embedded derivatives
b) Indexed to previous coupon + spread - Euribor
c) Indexed to inverse floater
d) Indexed to a basket composed by Dow Jones Eurostoxx 50, S&P 500 and Nikkei 225
e) Indexed to a basket composed by BBVA and BSCH
f) Indexed to credit risk
g) Indexed to a basket composed by France Telecom and Deutsche Telekom
h) Indexed to a basket composed by Petrobras, Companhia Siderurgia Nacional, Itau Unibanco and Banco Bradesco
i) Indexed to a basket composed by Ericsson, Komatsu, Santander, Sanofi-Aventis and ABB LTD.
j) Indexed to credit (First to default) of Santander, PT INT FIN, EDP and Brisa
k) Indexed to a basket composed by Petrobras, Gerdau, Vale, Itau Unibanco and Banco Bradesco
l) Indexed to a basket composed by Louis Vuitton, Holcim, Bayer and EON
m) Indexed to a basket composed by Eurostoxx50, SP500, Nasdaq100 and EWZ
n) Indexed to a basket composed by TOPIX, HANG SENG, HSCEI, NIFTY, KOSPI2 and MSCI Singapore
o) Indexed to a basket composed by HSCEI, MSCI India, MSCI Taiwan and SP ASX200
p) Indexed to a basket composed by Petrobras, Companhia Siderurgia Nacional, Vale SA, Itau Unibanco and Banco Bradesco
q) Indexed to a basket composed by MSCI Daily TR Net Emerging Markets Egypt USD and FTSE/JSE Africa TOP40
r) 5% + Indexed to a basket composed by MSCI Daily TR Net Emerging Markets Egypt USD and FTSE/JSE Africa TOP40
s) Indexed to a basket composed by Gilead sciences, Celgene corp. Mylan Inc.Teva Pharmaceutical Ind Ltd and Amgen Inc.
t) 4% + Indexed to Eurostat Consumer Price Index (CPI) (excl. Tobacco) for the Eurozone
u) Indexed to a basket composed by Philips, Siemens, Iberdrola and Veolia
v) Indexed to a basket composed by Oracle, SAP, Caterpillar, Komatsu, BHP Billiton, Mitsubishi
w) Indexed to a basket composed by Unilever, DB, E.ON
x) 4%+ Barclays Capital Armour EUR 7% Index
y) Indexed to a basket composed by Ambev, TAM, Brasil Foods, Itau Unibanco, Gerdau and Cia Energetica de Minas Gerais
z) Indexed to a basket composed by Telefonica, Banco Santander, BBVA and Banco Popular
aa) Indexed to a basket composed by Telefonica, Iberdrola, ENI spa and Deutsche Telecom
ab) Indexed to a basket composed by Telefonica, Santander, Deutsche Bank and Deutsche Telecom
ac) Indexed to a basket composed by Telenor, Alter Solutions, Tele2 and Volvo
ad) Indexed to a basket composed by EUR/USD; EUR/NOK and EUR/SEK currency
ae) Indexed to a basket composed by China Life Insurance Co, Petrochina Co and China Mobile LTD
af) Indexed to a basket composed by Anglo American, Cie Financiere Richemont, Porsche, Pernod Ricard, LVMH Moet Hennessy
ag) Indexed to a basket composed by FedEX, Macy's, Harley Davidson, Red Hat and Swiss RE
ah) Indexed to a basket composed by Telefonica, BNP Paribas, Vodafone Group PLC and E.ON
ai) Indexed to a basket composed by HTC, Panasonic and Samsung
aj) Indexed to a basket composed by Telefonica, Repsol, Santander and France Telecom
ak) Indexed to a basket of Commodities Corn, Wheat and Sugar
al) Indexed to a basket of Commodities Corn, Wheat and Soybean
am) Indexed to a basket composed by Nestle, Roche, Deutsche Telecom and Societe Generale.
an) Indexed to a basket of Commodities Copper, Gold and Palladium
ao) Indexed to credit of Portugal Telecom, Telefonica and Telecom Italia
ap) Indexed to credit of Gas Natural, Renault and Telecom Italia
aq) Indexed to a basket composed by Petroleo Brasileiro, Companhia Vale Rio Doce, Itau Unibanco and BRF Brasil Foods SA
ar) Indexed to credit of Portugal Telecom, EDP and Telecom Italia
as) Indexed to a basket of credit FTD: Telecom Italia, EDP, Portugal Telecom
at) Indexed to a basket composed by Repsol, BSCH, Nestle
au) Indexed to a basket of credit FTD: Arcelor Mittal, Telefonica and Intesa SPA
av) Indexed to a basket composed by EDP, Portugal Telecom and GALP
aw) Indexed to a basket of linked PSI20 and IBEX
ax) Indexed to a basket composed by Ishares MSCI Brazil Index Fund, Russian Depositary Index USD, S&P ASX 200 linked
ay) Indexed to a basket composed by BBVA, BSCH and Repsol
az) Indexed to a share of BBVA
ba) Indexed to UKX linked
bb) 0.5% + USD/TRY FX linked
bc) Indexed to SX7P linked
bd) Indexed to a basket composed by Amazon, Ebay and Fedex
be) Indexed to euribor 3 months
bf) Indexed to shares of Repsol
bg) Indexed to shares of Santander
bh) 7% + Indexed to bonds of Comporta
bi) Indexed to a basket composed by Santander and Telefonica
bj) Indexed to Commodities NYMEX - WTI Crude Oil linked
bk) Indexed to credit of EDP, PT and Thyssen
bl) Indexed to a basket composed by Deutsche Telekom AG, Telefonica SA and Vodafone Group PLC
bm) Indexed to a basket composed by GlaxoSmithKline PLC and Daimler
bn) Indexed to a basket composed by HSBC Holdings PLC, Santander, BNP, BBVA and UBS
bo) Indexed to a basket composed by BBVA and APPLE
bp) Indexed to credit of Telecom Italia, PT, Peugeot, EDP and ThyssenKrupp
bq) Indexed to EWW linked
br) Indexed to a basket composed by Jeronimo Martins and Galp
bs) Indexed to credit (First to default) of PT, EDP and Brisa
bt) Indexed to a basket composed by Johnson & Johnson, Bayer and Roche Holding

NOTE 40 - INVESTMENT CONTRACTS

As at 31 December 2013 and 2012, the liabilities arising from investment contracts are analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Fixed rate investment contracts	2 754 110	1 407 677
Investment contracts in which the financial risk is borne by the policyholder	1 719 811	2 436 343
	4 473 921	**3 844 020**

In accordance with IFRS 4, the insurance contracts issued by the Group for which there is only a transfer of financial risk, with no discretionary participating features, are classified as investment contracts.

The movement in the liabilities arising out from the investment contracts with fixed rate is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**1 407 677**	**63 973**
Change in the scope of consolidation (a)	-	376 975
Net deposits received	1 480 556	1 071 426
Benefits paid	(224 361)	(156 647)
Technical interest charged	90 238	51 950
Balance as at 31 December	**2 754 110**	**1 407 677**

(a) Related with the full consolidation of BES Vida from 1 May 2012.

The movement in the liabilities arising out from the investment contracts in which the financial risk is borne by the policyholder is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**2 436 343**	**84 791**
Change in the scope of consolidation (a)	-	1 868 167
Net deposits received	255 819	521 017
Benefits paid	(1 116 456)	(178 370)
Changes in financial liabilities at fair value through profit or loss	2 890	157 227
Technical result	141 215	(16 489)
Balance as at 31 December	**1 719 811**	**2 436 343**

(a) Related with the full consolidation of BES Vida from 1 May 2012.

NOTE 41 - PROVISIONS

As at 31 December 2013 and 2012, the balance of provisions presents the following movements:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**255 601**	**212 796**
Change in the scope of consolidation	-	12 987
Charge of the year / write back	695 651	57 251
Charge off	(16 071)	(17 965)
Exchange differences and other	(18 161)	(9 468)
Balance as at 31 December	**917 020**	**255 601**

Provisions for an amount of euro 917 020 thousand as at 31 December 2013 (31 December 2012: euro 255 601 thousand) are intended to cover litigations and other contingencies related to the Group's activities, the more relevant being as follows:

- Under the Group financial intermediation activity, Group customers subscribed, through Group network, debt instruments issued by Espírito Santo International, S.A. ('ESI') and its subsidiaries Espírito Santo Property, S.A., Espírito Santo Industrial, S.A. e Espírito Santo Irmãos, S.A., in the amount of euro 4 745 million, of which euro 3 259 million were held, as at 31 December 2013, by private and retail customers and euro 1 486 million were held, on the same date, by institutional customers. This situation is further explained in Note 47.

  In 2013 ESI Group has prepared a reorganization plan and a deleverage program in order to be able to rebalance its financial position and proceed with the reimbursement of its liabilities. The measures included in the referred reorganization plan and deleverage program were integrated in a business plan and the cash flow projections for the 10-year period up to 2023 which were subject to analysis made under the review, led by the Bank of Portugal, which was concluded in the first quarter of 2014, of the loan impairment losses accounted for by the Group.

  Considering the uncertainties associated with the ability to fully implement the internal reorganization plan and the deleverage program, the Board of Directors of ESFG approved an unconditional and irrevocable guarantee mechanism in favour of its subsidiaries (see Note 47) with the objective of covering the risk associated with the fact that ESI issued commercial paper and bonds to customers through the respective networks. Based on this decision, the Board of Directors approved the set up of a provision amounting to euro 700 million in the consolidated financial statements of ESFG as at 31 December 2013, recognised under Provisions.

  ESFG's Board of Directors believes, considering the information included in ESI business plan and cash flow projections for the 10-year period up to 2023, that the reimbursement of the debt instruments issued by ESI will be possible through implementation of the deleverage program, the support of ESI shareholders, its capacity to obtain or renew credit lines in the financial markets and, additionally, through the support from ESFG.

- Contingencies in connection with the exchange, during 2000, of Banco Boavista Interatlântico shares for Bradesco shares. The Group has provisions for an amount of approximately euro 55.3 million (31 December 2012: euro 60.3 million) to cover these contingencies.

- Contingencies in connection with legal processes established following the bankruptcy of clients which might imply losses for the Group. Provisions for an amount of euro 45.8 million as at 31 December 2013 (31 December 2012: euro 67.7 million) were established to cover these losses.

- Contingencies for ongoing tax processes. To cover these contingencies, the Group maintains provisions of approximately euro 22.1 million (31 December 2012: euro 36.1 million). The contingencies for ongoing tax processes includes euro 17.9 million related with the insurance business, of which euro 16.5 million relate to exercises already inspected by the Portuguese tax authorities and for which a judicial claim has been presented, being the total amount claimed of euro 19.4 million.

- The remaining balance of euro 93.8 million (31 December 2012: euro 91.5 million), is maintained to cover potential losses in connection with the normal activities of the Group, such as frauds, robbery and on-going judicial cases.

NOTE 42 - INCOME TAXES

The Group determined its current income tax for the year ended 31 December 2013 on the basis of a nominal tax rate of 25%, plus a Municipal Surcharge of 1.5%, related to the activities undertaken in Portugal (Portugal activity and foreign branches). An additional tax up to 5% is due, related to a State Surcharge applicable to taxable income above euro 10 million. This 5% State surcharge is applicable for the years ended 2012 and 2013.

For the year 2013, deferred tax was broadly calculated based on an aggregate rate of 29.5%, resulting from the sum of the corporate tax rate (23%) approved by Law No. 2/2014, of 16 January, Municipal Surcharge rate (1.5%) and an average expected rate of State Surcharge (5%).

The deferred tax on tax losses was specifically calculated based on income tax rate (23%) approved by Law No. 2/2014, of 16 January, which amended IRC Code. This tax rate was enacted, or substantially enacted, at the balance sheet date.

The Portuguese Tax Authorities are entitled to review the annual tax return of the Group subsidiaries domiciled in Portugal for a period of four years. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Board of Directors of the Group subsidiaries domiciled in Portugal are confident that there will be no material differences arising from tax assessments within the context of the financial statements.

The deferred tax assets and liabilities recognised in the balance sheet as at 31 December 2013 and 2012 can be analysed as follows:

	Assets		Liabilities		Net	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
			(in thousands of euro)			
Available-for-sale financial assets	69 956	80 369	(63 222)	(102 845)	6 734	(22 476)
Loans and advances to customers	474 445	412 572	-	-	474 445	412 572
Property and equipment	233	271	(8 889)	(8 901)	(8 656)	(8 630)
Intangible assets	13 354	9 474	(4 520)	-	8 834	9 474
Investments in subsidiaries and associates	-	-	(47 823)	(163 986)	(47 823)	(163 986)
Provisions	58 690	55 302	(1 638)	(5 516)	57 052	49 786
Technical reserves	-	-	(1 931)	(1 851)	(1 931)	(1 851)
Pensions	263 063	257 901	(495)	(35 507)	262 568	222 394
Long term service benefits	8 283	7 726	-	-	8 283	7 726
Debt securities issued	-	-	(462)	(1 010)	(462)	(1 010)
Other	5 427	18 957	-	(4 199)	5 427	14 758
Tax losses brought forward	203 440	87 165	-	295	203 440	87 460
Deferred tax asset / (liability)	**1 096 891**	**929 737**	**(128 980)**	**(323 520)**	**967 911**	**606 217**
Deferred tax assets/liabilities offset	(32 008)	(168 784)	32 008	168 784	-	-
Deferred tax asset / (liability), net [1]	**1 064 883**	**760 953**	**(96 972)**	**(154 736)**	**967 911**	**606 217**

[1] netted by Group entity

The Group does not recognise the deferred tax liabilities on temporary differences of subsidiaries and associates for which it controls the reversion period and that are realised through the distribution of tax-exempt dividends.

Additionally, the Group does not recognise deferred tax assets on tax losses brought forward by certain subsidiaries, because it is not expectable that they will be recovered in a foreseeable future. A detail of the tax losses brought forward for which no deferred tax assets were recognised, is presented as follows:

Deadline	**31.12.2013**	**31.12.2012**
to deduction	**Tax losses brought forward**	
	(in thousands of euro)	
2012	-	2 850
2013	3 063	3 941
2014	22 793	27 499
2015	25 554	34 123
2016	2 493	2 492
2017	5 517	5 474
2018	4 744	-
Undetermined	205 615	234 682
	269 779	**311 061**

The changes in net deferred taxes were recognised as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance at the begining of the period (assets / (liabilities))	**606 217**	**648 781**
Change in the scope of consolidation	-	1 981
Recognised in the income statement	321 625	41 157
Recognised in fair value reserve	(22 621)	(68 240)
Recognised in equity - other comprehensive income	1 303	9 601
Recognised in other reserves	(7 152)	(24 881)
Amount paid under the Special Regime for Debt Payments	65 375	-
Exchange differences and other	3 164	(2 182)
Balance at the end of the period (assets / (liabilities))	**967 911**	**606 217**

The current and deferred taxes recognised in the income statement and reserves, during 2013 and 2012 is analysed in the following table. The amounts presented do not consider the effect of non-controlling interest.

	31.12.2013		31.12.2012	
	Recognised in the income statement (income) /expense	Recognised in reserves	Recognised in the income statement (income) /expense	Recognised in reserves
	(in thousands of euro)			
Financial instruments	(50 500)	21 355	(16 679)	68 240
Loans and advances to customers	(62 719)	-	(69 646)	-
Property and equipment	26	-	(153)	-
Intangible assets	640	-	551	-
Investments in subsidiaries and associates	(116 572)	409	81 381	(3 247)
Provisions	(6 345)	-	(20 402)	-
Technical reserves	80	-	623	-
Pensions	3 668	(1 712)	4 005	(6 354)
Long term service benefits	(557)	-	459	-
Debt securities issued	(548)	-	1 214	-
Exchange differences and other	9 142	-	(2 950)	(281)
Tax losses brought forward	(97 940)	8 418	(19 560)	25 162
Deferred taxes	(321 625)	28 470	(41 157)	83 520
Current taxes	157 432	(66 589)	152 159	44 973
	(164 193)	**(38 119)**	**111 002**	**128 493**

The current tax accounted for in reserves during 2013 includes, a tax charge of euro 66 589 thousand (31 December 2012: euro 60 830 thousand) to the fair value reserve in relation to unrealised gains recognised. As at 31 December 2012 included also a tax credit of euro 5 553 thousand related with the pension benefits tax regime in accordance with Article 183 of Law no. 64-B/2011, of 30 December and a tax credit of euro 7 773 thousand from negative equity changes (primarily related to pension benefits).

The reconciliation of the income tax rate can be analysed as follows:

	31.12.2013		31.12.2012	
	%	Amount	%	Amount
		(in thousands of euro)		
Profit before minority interest and taxes (*)		**(1 398 839)**		**482 706**
Contribution to the banking sector		27 289		27 910
Profit before non-controlling interest and taxes for tax reconciliation purposes		**(1 371 550)**		**510 616**
Statutory tax rate	25.0%		31.5%	
Income tax calculated based on the statutory tax rate		(342 888)		160 844
Tax-exempt dividends	0.4%	(5 991)	-4.0%	(19 327)
Tax-exempt profits (offshore)	1.7%	(24 429)	-9.9%	(47 949)
Net income in consolidated investment funds	-2.4%	33 063	-	-
Tax-exempt/non-deductible realised gains/losses	1.3%	(18 039)	13.3%	64 191
Non-taxable share of (profit)/losses in associates	0.1%	(905)	-0.3%	(1 498)
Unrecognised deferred tax assets related to tax losses generated in the year	-15.9%	222 156	5.0%	24 124
Change in estimates	3.4%	(47 642)	-12.4%	(59 684)
Non taxable gains on acquisition / sale of subsidiaries	-	-	-9.4%	(45 503)
Non deductible costs	1.5%	(21 011)	5.1%	24 643
Rates and tax base changes resulting from IRC	-2.3%	31 908	-	-
Other	-0.7%	9 585	2.3%	11 161
	12.1%	**(164 193)**	**21.2%**	**111 002**

(*) includes the amount of euro (30 946) thousand (31 December 2012: euro (8 684) thousand) related to discontinued operations

The Portuguese Law No. 55-A/2010 of 31 December established a banking levy, which is not deductible for tax purposes, and whose regime was extended by Law no. 64-B/2011, of 30 December. During the period ended 31 December 2013, the Group recognised a cost of euro 27.3 million (31 December 2012: euro 27.9 million, which was included in Other operating income and expenses – Direct and indirect taxes (see Note 12).

NOTE 43 - SUBORDINATED DEBT

The balance subordinated debt is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Bonds	1 329 161	1 101 032
Loans	9 896	10 107
Perpetual bonds	64 131	65 343
	1 403 188	**1 176 482**

The main features of the subordinated debt are presented as follows:

		31.12.2013						
Issuer	Designation	Currency	Issue date	Amount issued	Carrying amount	Interest rate	Maturity	
				(in thousands of euro)				
BES Finance	Subordinated perpetual bonds	EUR	2002	30 843	23 603	3.06%	2014	a)
BES Finance	Subordinated perpetual bonds	EUR	2004	95 767	20 211	4.50%	2015	a)
BES Finance	Bonds	EUR	2008	20 000	20 165	8.73%	2018	
BESI	Bonds	BRL	2007	21 134	16 891	CDI 100%+1.3%	2014	
BESI	Bonds	BRL	2008	8 416	7 918	CDI 100%+1.3%	2015	
BESI	Bonds	BRL	2008	673	896	IPCA 100%+8.3%	2015	
BESI	Bonds	BRL	2008	1 010	944	CDI 100%+1.3%	2015	
BESI	Bonds	EUR	2005	60 000	8 863	Euribor 3M + 0.95%	2015	
BESI	Bonds	EUR	2003	10 000	273	Indexed to CMS	2033	
BES	Bonds	EUR	2004	25 000	22 068	Euribor 6M + 1.25%	2014	
BES	Bonds	EUR	2008	41 550	3 848	Euribor 3M + 1%	2018	
BES	Bonds	EUR	2008	638 450	83 055	Euribor 3M + 8.5%	2019	
BES	Bonds	EUR	2008	50 000	50 082	Euribor 3M + 1.05%	2018	
BES	Bonds	EUR	2011	8 174	8 182	Fixed Rate 10%	2021	
BES	Bonds	EUR	2013	750 000	751 964	Fixed Rate 7.125%	2023	
BES Vida	Bonds	EUR	2002	45 000	24 295	Euribor 3M + 2.20%	2022	
BES Vida	Subordinated perpetual bonds	EUR	2002	45 000	20 317	Euribor 3M + 2.50%	2014	a)
BESV	Subordinated Loans	EUR	2003	9 669	9 896	2.34%	-	b)
ESFG	Bonds	EUR	2009	400 000	329 717	6.88%	2019	
				2 260 686	1 403 188			

a) Call option date
b) Undetermined

The changes occurred in subordinated debt during the year ended 31 December 2013 are analysed as follows:

	31.12.2012	Issues	Repayments	Net Repurchases	Other movements (a)	31.12.2013
			(in thousands of euro)			
Bonds	1 101 032	750 400	(1 945)	(511 808)	(8 518)	1 329 161
Loans	10 107	-	-	-	(211)	9 896
Perpetual Bonds (b)	65 343	-	-	(1 318)	106	64 131
	1 176 482	750 400	(1 945)	(513 126)	(8 623)	1 403 188

a) Other movements include accrued interest, fair value adjustments and foreign exchange differences
b) Issues include the amounts corresponding to debt replacements previously repurchased by the Group

In accordance with the accounting policy described in Note 2.8, debt issued repurchased by the Group is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement. Following the repurchases performed in 2013 and 2012, the Group has recognised a gain of euro 4.6 million and of euro 39.6 million, respectively (see Note 12).

NOTE 44 - OTHER LIABILITIES

As at 31 December 2013 and 2012, the balance other liabilities is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Creditors		
Public sector	119 409	145 296
Collateral deposit on negative exposures on derivative contracts	215 617	173 955
Sundry debtors		
Stock-option plan (see Note 14)	2	185
Creditors from transactions with securities	60 433	89 357
Suppliers	67 195	56 457
Creditors from factoring operations	3 044	3 509
Other sundry creditors	280 821	234 868
Creditors from the medical business	761	548
Creditors from the insurance business	37 099	8 982
Creditors arising out of direct insurance operations	26 410	25 260
Creditors arising out of reinsurance operations	17 759	17 876
	828 550	**756 293**
Accrued expenses		
Long term service benefits (see Note 14)	30 376	28 691
Other accrued expenses	214 276	160 044
	244 652	**188 735**
Deferred income	**35 451**	**25 492**
Other sundry liabilities		
Stock exchange transactions pending settlement	129 189	93 431
Foreign exchange transactions pending settlement	6 933	19 999
Other transactions pending settlement	101 058	184 492
	237 180	**297 922**
	1 345 833	**1 268 442**

As at 31 December 2013, the deferred income includes the amount of euro 21 989 thousand relating to the value of the remaining in force contracts acquired of BES Vida, after reinsurance transaction of life insurance risk portfolio held in the first half of 2013 (see notes 17 and 32). This amount will be amortised to income over the remaining life of the respective contracts.

The stock exchange transactions pending settlement refer to transactions with securities on behalf of third parties, recorded on trade date and pending settlement, in accordance with the accounting policy described in Note 2.6.

(Amounts expressed in thousands of euro, except when indicated)

NOTE 45 - SHARE CAPITAL, SHARE PREMIUM, OTHER EQUITY INSTRUMENTS, FAIR VALUE RESERVES AND OTHER RESERVES AND RETAINED EARNINGS

Share capital and share premium

As at 31 December 2013, the authorised share capital of Espírito Santo Financial Group, S.A., was represented by 2 billion shares without nominal value, from which 207 075 338 shares (31 December 2012: 207 075 338) held by different shareholders were subscribed and fully paid as described below:

	% Share capital	
	31.12.2013	**31.12.2012**
Espírito Santo Irmãos, Sociedade Gestora de Participações Sociais, S.A.	49.26%	10.03%
Espírito Santo International S.A.	0.15%	33.38%
Other	50.59%	56.59%
	100.00%	**100.00%**

On 26 April 2012, ESFG issued 102 040 816 ordinary shares at an issue price of euro 4.9 each, totalling euro 500 million. From this amount, euro 398 million euro was allocated to the share premium. The costs incurred and directly attributable to issuing the new shares, in the amount of euro 6.4 million, were also recognised under share premium.

Treasury shares

Treasury shares as at 31 December 2013, in the amount of euro 3.5 million (31 December 2012: euro 36 million), correspond to 665 652 ESFG shares (31 December 2012: 6 811 569) with an acquisition cost of euro 5.2 per share (31 December 2012: euro 5.28 per share).

Preference shares

In June 2007, ESFG International Limited ("issuer"), a fully owned subsidiary of ESFG, issued euro 400 million series A non-cumulative guaranteed step-up preferred securities. These securities, with a face value of euro 50 thousand per security, are listed on the Luxembourg stock exchange. During the year ended 31 December 2012, the Group acquired euro 16 450 thousand preference shares for an acquisition price of euro 6 197 thousand, having generated a gain net of taxes, recognised in Other reserves and retained earnings, in the amount of euro 10 253 thousand. During the year ended 31 December 2011, the Group acquired euro 325 750 thousand preference shares in scope of the exchange offer over ordinary shares referred to above. The Group recorded a capital gain, net of taxes in the amount of euro 81 803 thousand recognised in Other reserves and retained earnings.

As at 31 December 2013, there were euro 52 950 thousand outstanding preference shares (31 December 2012: euro 57 800 thousand) for a total nominal amount of euro 52 950 thousand (31 December 2012: euro 57 800 thousand).

These preferred securities pay non-cumulative preferred dividends, when, as and if declared by the Board of Directors of ESFG International Limited, annually in arrears on 6 June in each year commencing on 6 June 2008 up to and including 6 June 2017 at an annual rate of 5.753% p.a. of the respective nominal value. Thereafter, the preferred dividends will be payable, when, as and if declared by the Board of Directors of ESFG International Limited, quarterly in arrears on 6 March, 6 June, 6 September and 6 December each year, commencing on 6 September 2017 at a rate of 2.130% above the 3 months Euribor.

The preferred securities are perpetual securities and have no fixed redemption date. However, these securities may be redeemed, at the option of ESFG International Limited, in whole but not in part, on 6 June 2017 or on any preferred distribution payment date falling thereafter. Such redemption is subject to the authorization of ESFG and the Supervisor Authority.

ESFG unconditionally guarantees, on a subordinated basis, the payment of distributions on the preferred securities when, as and if declared by the Board of Directors of the issuer, and payments on liquidation of the issuer or on redemption. By virtue of the scope of the guarantee the rights of the holders of these preference securities against ESFG are equivalent to those which such holders would have had if they had instead held preference shares issued directly by ESFG whose terms are identical to the terms of the preferred securities and the guarantee taken together.

Considering the features of these preferred securities, they were considered, following IAS 32, as equity instruments of the Group. On that basis, the total proceeds from the issue, net of expenses incurred, totalling approximately euro 394.5 million, was taken to equity on the date of issue. The outstanding amount as at 31 December 2013, net of expenses, is euro 51 367 thousand (31 December 2012: euro 55 978 thousand). In accordance with the accounting policy described in Note 2.9, preferred dividends will be recorded as a deduction to equity when declared.

Other equity instruments

As described in Note 39, during the year ended 31 December 2013, the Group acquired euro 135.6 million of the euro 500 000 000 Fixed Rate Step-Up Notes due 2025 with 10 000 warrants, in scope of the exchange offer over bonds exchangeable into ordinary shares of Banco Espírito Santo, S.A. As a result of this transaction, as at 31 December 2013 there were 915 outstanding warrants in the amount of euro 10 849 thousand (31 December 2012: 3 587 warrants in the amount of euro 42 509 thousand) which are recognised in equity net of expenses by an amount of euro 10 539 thousand.

In addition, as described in Note 39, during 2011 ESFG issued euro 130 416 000 Convertible Bonds. Following this issue, the Group recognised in equity the amount of euro 16 950 thousand related to the conversion option which corresponds to an equity instrument in light of IAS 32.

Capital reserves non distributable

The capital reserves non distributable in the amount of euro 700 970 thousand relates to a special non-distributable reserve account resulting from the cancelation, in 2011, of the nominal value of the shares and the subsequent reduction of the accounting value of the authorised and issued share capital from euro 10 per share to euro 1.

Legal reserve

Under the Luxembourg law, a minimum of 5% of the profit for the year must be transferred to the legal reserve until this reserve equals 10% of the issued share capital. This reserve is not available for distribution.

Fair value reserve

The fair value reserve represents the amount of the unrealised gains and losses arising from securities classified as available for sale, net of impairment losses recognised in the income statement in the year/previous years. The amount of this reserve is shown net of deferred taxes and non-controlling interest.

During the years ended 31 December 2013 and 2012, the changes in these balances, net of non-controlling interest, were as follows:

	Fair value reserve			Other comprehensive income, other reserves and retained earnings						
	Available-for-sale	Deferred tax reserves	Total fair value reserve	Actuarial gains and (losses), net of taxes	Exchange differences	Legal reserve	Capital reserves non distributable	Other reserves and retained earnings	Total other reserves and retained earnings	Total
					(In thousands of euro)					
Balance as at 31 December 2011	(194 633)	29 009	(165 624)	(207 222)	18 562	32 364	700 970	37 449	582 123	416 499
Transfer to reserves	-	-	-	-	-	-	-	121 352	121 352	121 352
Costs with capital increase of subsidiaries	-	-	-	-	-	-	-	(3 416)	(3 416)	(3 416)
Repurchase and exchange of own other equity instruments	-	-	-	-	-	-	-	10 715	10 715	10 715
Transactions on subsidiaries preference shares	-	-	-	-	-	-	-	1 271	1 271	1 271
Dividends on preference shares	-	-	-	-	-	-	-	(5 965)	(5 965)	(5 965)
Dividends on perpetual bonds	-	-	-	-	-	-	-	(519)	(519)	(519)
Actuarial gains from defined benefit obligation, net of taxes	-	-	-	(45 575)	-	-	-	-	(45 575)	(45 575)
Changes in fair value	235 942	(44 547)	191 395	-	-	-	-	-	-	191 395
Exchange differences	-	-	-	-	(11 456)	-	-	-	(11 456)	(11 456)
Other equity movements of associated companies	-	-	-	-	-	-	-	(2 680)	(2 680)	(2 680)
Transactions with non-controlling interest	-	-	-	-	-	-	-	45 628	45 628	45 628
Others	-	-	-	-	-	-	-	(790)	(790)	(790)
Balance as at 31 December 2012	41 309	(15 538)	25 771	(252 797)	7 106	32 364	700 970	203 045	690 688	716 459
Transfer to reserves	-	-	-	-	-	-	-	313 633	313 633	313 633
Repurchase and exchange of own other equity instruments	-	-	-	-	-	-	-	31 682	31 682	31 682
Transactions on subsidiaries preference shares	-	-	-	-	-	-	-	3 481	3 481	3 481
Dividends on preference shares	-	-	-	-	-	-	-	(5 169)	(5 169)	(5 169)
Dividends on perpetual bonds	-	-	-	-	-	-	-	(600)	(600)	(600)
Actuarial gains from defined benefit obligation, net of taxes	-	-	-	(34 210)	-	-	-	-	(34 210)	(34 210)
Changes in fair value	(38 883)	9 904	(28 979)	-	-	-	-	-	-	(28 979)
Exchange differences	-	-	-	-	(18 629)	-	-	-	(18 629)	(18 629)
Other equity movements of associated companies	-	-	-	-	-	-	-	764	764	764
Transactions with non-controlling interest	-	-	-	-	-	-	-	2 807	2 807	2 807
Others	-	-	-	-	-	-	-	1 071	1 071	1 071
Balance as at 31 December 2013	2 426	(5 634)	(3 208)	(287 007)	(11 523)	32 364	700 970	550 714	985 518	992 310

The fair value reserve is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Amortised cost of available-for-sale financial assets	9 221 388	11 090 158
Accumulated impairment losses recognised	(318 045)	(254 141)
Amortised cost of available-for-sale financial assets, net of impairment	8 903 343	10 836 017
Fair value of available-for-sale financial assets	8 929 778	11 041 235
Net unrealised gains (losses) recognised in the fair value reserve	26 435	205 218
Fair value reserves related to securities reclassified as held-to-maturity investments (Note 27)	(11 781)	(16 655)
Income taxes	(6 585)	(49 284)
Fair value reserve of associates	3 207	2 381
Net fair value reserve	11 276	141 660
Non-controlling interest	(14 484)	(115 889)
Fair value reserve attributable to equity holders of the Company	**(3 208)**	**25 771**

The movement in the fair value reserve, net of deferred taxes, impairment losses and non-controlling interest, is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Balance as at 1 January	**25 771**	**(165 624)**
Changes in fair value	60 194	360 204
Disposals during the year	(131 292)	(167 091)
Impairment recognised during the year	32 190	28 123
Deferred taxes recognised in reserves during the year	9 904	(45 166)
Transactions with non controlling interest	25	15 325
Balance as at 31 December	**(3 208)**	**25 771**

NOTE 46 - NON-CONTROLLING INTEREST

As at 31 December 2013 and 31 December 2012, non-controlling interest can be analysed as follows:

	31.12.2013		31.12.2012	
	Balance sheet	Income statement	Balance sheet	Income statement
	(in thousands of euro)			
BES Group	4 554 752	(379 120)	5 006 540	(5 178)
Preference shares issued by BES Finance	159 342	-	193 289	-
Other equity instruments issued by BES Group	29 162	-	29 295	-
Bespar	605 261	(545)	605 806	57 328
BES Vénétie	53 590	1 488	53 503	4 198
ES Saúde	-	-	-	(948)
Pastor Vida	-	-	-	1 431
Other	25 194	7 562	33 858	1 240
	5 427 301	**(370 615)**	**5 922 291**	**58 071**

Preference shares issued by BES Finance

Preference shares issued by BES Finance correspond to 450 thousand non-voting preference shares, which were issued and listed in the Luxembourg stock exchange in July 2003. In March 2004, 150 thousand preference shares were additionally issued forming a single series with the existing preference shares. The face value of these shares is euro 1 000 and are fully booked under non-controlling interest. The total issue (euro 600 000 thousand) is wholly, but not partially, redeemable at its face value at the option of the issuer, as at 2 July 2014, subject to prior approvals of BES and the Bank of Portugal. During the year ended 31 December 2012, the Group acquired 18 624 preference shares, having recorded a gain, net of taxes and non controlling interest, in the amount of euro 1 271 thousand recognised in Other reserves and retained earnings. During the year ended 31 December 2013, the Group acquired 33 947 preference shares, having recorded a gain, net of taxes and non controlling interest, in the amount of euro 1 668 thousand recognised in Other reserves and retained earnings.

As at 31 December 2013, there were 33 947 outstanding preference shares in the amount of euro 33 947 thousand (31 December 2012: 193 289 and euro 193 289 thousand, respectively).

These preference shares pay an annual non-cumulative preferred dividend, if and when declared by the Board of Directors of BES Finance, corresponding to an annual rate of 5.58% p.a. on the nominal value. This dividend is paid on 2 July of each year, beginning 2 July 2004 and ending 2 July 2014. If BES Finance does not redeem these preference shares on 2 July 2014, the applicable rate will be 3 months Euribor plus 2.65% p.a., with payments on 2 January, 2 April, 2 July and 2 October of each year, if declared by the Board of Directors of BES Finance.

These shares are subordinated to any BES liability, and are "pari passu" in relation to any preference shares that may come to be issued by the Bank. BES unconditionally guarantees dividends if previously declared by the Board of Directors of BES Finance and principal repayments related to either of the above mentioned issues.

Considering the features of these preference shares, they were considered, in accordance with IAS 32, as equity instruments of BES Group being classified as non-controlling interest at ESFG level. On that basis, and in accordance with the accounting policy described in Note 2.9, the dividends related with these preference shares are recorded as a deduction to equity when declared.

Other equity instruments issued by BES Group

The BES Group issued in 2011, perpetual subordinated bonds with non-cumulative discretionary interest in the total amount of euro 320 million.

These bonds pay a non-cumulative interest, only if and when declared by the Board of Directors, at an annual rate of 8.5%. This discretionary interest is payable semi-annually. These securities are redeemable at the option of BES Group in full, but not in part, after 15 September 2015, subject to the prior approval of Bank of Portugal.

Considering the features of these perpetual subordinated bonds, they qualify as equity instruments of BES Group in accordance with IAS 32 being classified as non-controlling interest at ESFG level. On that basis and in accordance with the accounting policy described in Note 2.9, the distributions related with these bonds will be recorded as a deduction to equity when declared.

During the year ended 31 December 2013, the Group paid interest in the amount of euro 2 191 thousand (31 December 2012: euro 1 864 thousand) resulting in a reduction in equity amounting to euro 599 thousand net on tax and non-controlling interest (31 December 2012: euro 519 thousand). As a result of an exchange offer for BES shares, occurred in 2012, Other equity instruments issued by BES Group reduced by an amount of euro 286 717 thousand.

The movement in non-controlling interest in the years ended 31 December 2013 and 2012 can be analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Non-controlling interest as at 1 January	**5 922 291**	**4 973 023**
Changes in the scope of consolidation	34 020	(27 606)
Transactions with non-controlling interest	(53 214)	(72 954)
Increase in share capital of subsidiaries	158 702	758 336
Issuance/(repurchase) of perpetual preference shares	(29 519)	(15 417)
Dividends paid on perpetual bonds	(1 591)	(1 345)
Actuarial gains/(losses) from defined benefit obligation, net of taxes	(71 540)	(125 307)
Dividends paid	(4 490)	(6 502)
Dividends paid on preference shares	(5 048)	(4 388)
Treasury shares of subsidiaries	7 702	-
Capital increase costs	-	(8 730)
Changes in fair value reserve	(94 224)	448 182
Other comprehensive income from associates	1 211	(9 194)
Exchange differences and other	(66 384)	(43 878)
(Loss) / profit for the year	(370 615)	58 071
Non-controlling interest as at 31 December	**5 427 301**	**5 922 291**

NOTE 47 - OFF-BALANCE SHEET ITEMS

As at 31 December 2013 and 2012 off-balance sheet items, excluding the derivative financial instruments, can be analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Contingent liabilities		
Guarantees and stand by letters of credit	8 031 816	8 427 956
Assets pledged as collateral	20 425 200	21 632 555
Open documentary credits	4 234 660	3 780 554
Other	278 586	531 850
	32 970 262	**34 372 915**
Commitments		
Revocable commitments	7 107 506	5 462 823
Irrevocable commitments	1 800 185	3 461 701
	8 907 691	**8 924 524**

Guarantees and standby letters of credit are banking operations that do not imply any out-flow by the Group.

As at 31 December 2013, the balance assets pledged as collateral include:

- Securities pledged as collateral to the Bank of Portugal in the scope of a liquidity facility collateralised by securities for an amount of euro 18.8 billion (31 December 2012: euro 19.6 billion);

- Securities pledged as collateral to the Portuguese Securities and Exchange Commission (CMVM) in the scope of the Investors Indemnity System (Sistema de Indemnização aos Investidores) for an amount of euro 17.2 million (31 December 2012: euro 20.8 million);

- Securities pledged as collateral to the Deposits Guarantee Fund (Fundo de Garantia de Depósitos) for an amount of euro 82.6 million (31 December 2012: euro 82.6 million);

- Securities pledged as collateral to the European Investment Bank for an amount of euro 1 340.0 million (31 December 2012: euro 1 822.5 million).

The above mentioned securities pledged as collateral can be executed in case the Group does not fulfil its obligations under the terms of the contracts.

Documentary credits are irrevocable commitments, by the Group, in the name of its clients, to pay or order to pay a certain amount to a supplier of goods or services, within a determined term, against the exhibition of the expedition documentation of the goods or service provided. The condition of irrevocable consists of the fact that the terms initially agreed can only be changed or cancelled with the agreement of all parties.

Revocable and irrevocable commitments represent contractual agreements to extend credit to Group's customers (eg. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Despite the characteristics of these contingent liabilities and commitments, these operations require a previous rigorous risk assessment of the client and its business, like any other commercial operation. When necessary, the Group require that these operations are collateralised. As it is expected that the majority of these operations will mature without any use of funds, these amounts do not represent necessarily future out-flows.

Additionally, the off-balance sheet items related to banking services provided are as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Securities and other items held for safekeeping on behalf of customers	62 223 560	63 285 779
Assets for collection on behalf of clients	242 383	294 295
Securitised loans under management (servicing)	2 486 012	2 712 022
Discretionary portfolio management	7 209 297	9 649 908
	72 161 252	**75 942 004**

In the scope of the activity regarding the management of customers funds and considering the risk profile of each customer, the Group offers a variety of investment solutions which include the direct subscription of debt instruments issued by several entities, namely entities included in ESFG consolidation scope and other related parties from the non-financial sector of Espírito Santo Group. In this context, the Group makes available to customers information on the risks associated with the subscription of such instruments as it is required by the applicable regulations. These debt instruments which are held under custody are accounted as an off-balance sheet item under Securities and other items for the safekeeping on behalf of clients.

Under this activity, Group customers subscribed debt instruments issued by Espírito Santo International, S.A. ('ESI') and its subsidiaries Espírito Santo Property, S.A., Espírito Santo Industrial, S.A. e Espírito Santo Irmãos, S.A., in the amount of euro 4 745 million, of which euro 3 259 million were held, as at 31 December 2013, by private and retail customers and euro 1 486 million were held, on the same date, by institutional customers (see Note 41).

Additionally Group retail and private customers subscribed debt instruments issued by Rio Forte Investments, S.A., Espírito Santo Saúde, S.G.P.S., S.A., ESPART - Espirito Santo Participações Financeiras, S.G.P.S., S.A., Quinta da Foz and Euroamerican Finance, S.A., in the amount of euro 479 million, euro 38 million, euro 24 million, euro 13 million and euro 9 million, respectively, with reference to 31 December 2013.

NOTE 48 - ASSETS UNDER MANAGEMENT

As at 31 December 2013 and 2012, the amount of the assets under management of the Group is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Securities investment funds	4 117 166	5 190 265
Real estate investment funds	1 079 813	1 075 678
Pension funds	1 906 717	1 783 359
Bancassurance	159 965	89 662
Portfolio management	1 694 103	2 875 827
Others	2 388 878	1 378 639
	11 346 642	**12 393 430**

The amounts recognised in these accounts are measured at fair value determined at the balance sheet date.

In accordance with the legislation in force, the fund management companies and the depositary bank are jointly liable before the participants of the funds for the non fulfilment of the obligations assumed under the terms of the Law and the management regulations of the funds.

NOTE 49 - RELATED PARTIES TRANSACTIONS

Following the definition of related party established by IAS 24, related parties to ESFG include associates, pension funds, Board members and entities controlled or significantly influenced by any of these individuals.

The entities considered to be related parties to ESFG, as defined by IAS 24, are as follows:

Company

2B Capital Luxembourg General Partners SARL
2B Capital Luxembourg S.C.A SICAR
2BCapital, SA
ACRO, Sociedade Gestora de Participações Sociais, S.A.
Adepa Global Services
Advance Ciclone Systems, SA
Agência de Viagens Tagus, S.A.
Agência Receptivo Praia do Forte, Lda
Agribahia, S/A
Agriways, SA
Aldeia do Meco - Sociedade para o Desenvolvimento Turístico, SA
Altius Finance SA
Angra Moura-Sociedade de Administração de Bens,S.A.
Aroundimpact, Lda
Arrábida - Fundo Especial de Investimento Imobiliário
Ascendi Group, SGPS, SA
Ascendi Pinhal Interior Estradas do Pinhal Interior, SA
Atlantic Meals - Industria e Comércio Agro Alimentar, SA
Atr - Actividades Turisticas e Representações, Lda
Auvisa - Autovia de Los Viñedos, SA
Aveiro Incorporated
Baeza Empreendimentos Imobiliários Ltda.
Banco Delle Tre Venezie SPA
BB PAR Incorporaçao Imobiliária Ltda
Beach Heath Investments, Ltd
BEMS, SGPS, SA
BES, Companhia de Seguros , SA
BIO-GENESIS
Cainga Empreendimentos Imobiliários Ltda.
Calzadas y Caminos del Sur, SL
Caravela Balanced Fund
Caravela Defensive Fund
Cartagena Empreendimentos Imobiliários Ltda.
Casa da Saudade, Administração de Bens Móveis e Imóveis, S.A.
Casas da Cidade - Residências Sénior, SA
Cerca da Aldeia - Sociedade Imobiliária, SA
Cidadeplatina - Construção SA
Cimenta - Empreendimentos Imobiliários, SA
Clarendon Properties, Inc.
Clínica Parque dos Poetas, SA
Clíria - Hospital Privado de Aveiro, SA
CLN Magnólia Finance 2038
Club de Campo Villar Ollala, SA
Clube de Campo da Comporta - Actividades Desportivas e Lazer, Lda
Clube Residencial da Boavista, SA
Clup Vip - Marketing de Acontecimentos, SA
Coimbra Jardim Hotel - Sociedade de Gestão Hoteleira, S.A.
Companhia Agricola Botucatu, SA
Companhia Brasileira de Agropecuária Cobrape
Comporta Dunes Hóteis & Golfe - Promoção e Desenvolvimento de Actividades Hoteleiras e Turísticas, SA
Comporta Links Golfe - Promoção e Exploração de Actividades Turísticas, SA
Comporta Links Hotéis - Promoção e Exploração de Actividades Hoteleiras, SA
Construcciones Sarrión, SL
Construtora do Tamega (Madeira) SA
Construtora do Tamega Madeira SGPS SA
Coporgest
Coreworks - Proj. Circuito Sist. Elect., SA
Dassa Investments S.A.
Diliva, Sociedade de Investimentos Imobiliários, S.A.
Domática, Electrónica e Informática, SA
E.S. - Espírito Santo, Mediação Imobiliária, S.A.
E.S. Asset Administration, Ltd.
E.S. International Overseas, Ltd.
E.S. Resources Overseas, Ltd
E.S.B. Finance Ltd
Eastelco - Consultoria e Comunicação, SA
Edenred Portugal, S.A.
Empark Aparcamientos y Servicios SA
Enkrott SA
ES Arrendamento - Fundo de Investimento Imobiliario Fechado para Arrendamento Habitacional

Company (cont.)

ES Private Equity, Ltd
ES Saúde - Residência com Serviços Senior, S.A.
ES Viagens e Turismo, Lda
Escae Consultoria, Administração e Empreendimento, Lda
Escopar - Sociedade Gestora de Participações Sociais, SA
ESDI Administração e Participações Ltda
Esegur - Empresa de Segurança, SA
Esger - Empresa de Serviços e Consultoria, SA
ESH Parcipaçao e Administraçao de Bens Próprios Ltda
Esiam - Espírito Santo International Asset Management, Ltd
Esim - Espírito Santo Imobiliário, SA
Espart - Espírito Santo Participações Financeiras, SGPS, SA
ESPB 01 Desenvolvimento Imobiliario Ltda.
ESPB 02 Desenvolvimento Imobiliario Ltda.
ESPB 04 Desenvolvimento Imobiliario Ltda.
ESPB Administração e Participações Ltda
Espírito Santo - Unidades de Saúde e de Apoio à Terceira Idade, S.A.
Espírito Santo Cachoeira Desenvolvimento Imobiliário Ltda
Espírito Santo Campinas Desenvolvimento Imobiliário Ltda
Espírito Santo Control SA
Espírito Santo do Oriente
Espírito Santo Euro Bond
Espírito Santo Guarujá Desenvolvimento Imobiliário Ltda
Espírito Santo Health Care Investments SA
Espírito Santo Hotéis, SGPS, SA
Espírito Santo IBERIA I
Espírito Santo Indaiatuba Desenvolvimento Imobiliário Ltda
Espírito Santo Industrial (BVI), SA
Espírito Santo Industrial (Portugal) - SGPS, SA
Espírito Santo Industrial, SA
Espírito Santo International (BVI), SA
Espírito Santo International SA
Espírito Santo Irmãos - Sociedade Gestora de Participações Sociais, SA
Espírito Santo Itaiba Desenvolvimento Imobiliário Ltda
Espírito Santo Plano Dinamico -Fundo de Investimento Aberto Flexível
Espírito Santo Primavera Desenvolvimento Imobiliário Ltda
Espírito Santo Property (Brasil) S/A
Espírito Santo Property España, S.L.
Espírito Santo Property Holding (BVI) SA
Espírito Santo Property Holding, SA
Espírito Santo Property SA
Espírito Santo Resources (Portugal), SA
Espírito Santo Resources SA
Espírito Santo Resources, Ltd
Espírito Santo Saúde SGPS, S.A.
Espírito Santo Saúde-Residencia com Serviços Senior, S.A. SGPS, S.A.
Espírito Santo Saúde-Serviços, A.C.E.
Espírito Santo Services, SA
Espírito Santo Tourism (Europe), SA
Espírito Santo Tourism, Ltd
Espírito Santo Venture Ltd
Espírito Santo Viagens - Consultoria e Serviços, SA
Espírito Santo Viagens - Sociedade Gestora de Participações Sociais, SA
Estoril Inc
Euroamerican Finance Corporation, Inc.
Euroamerican Finance SA
Euroatlantic, Inc.
Europe Assistance - Companhia Portuguesa de Seguros de Assistência, SA
Fafer - Empreendimentos Turisticos e de Construção, SA
FIIF - Fundo de Investimento Imobiliário Fechado Corpus Christi
Fimes II - Fundo de Investimento Imobiliário Fechado
Fimes Oriente - Fundo de Investimento Imobiliário Fechado
Fin Solutia - Consultoria e Gestão de Créditos, SA
Fravei - Sociedade Gestora de Participações Sociais, SA
Fundes FEIIF-Fundes Especial de Investimento Imobiliário Fechado
Fundo Bem Comum FCR
Fundo de Capital de Risco Espírito Santo Ventures Inovação e Internacionalização
Fungepi BES-undo de Gestão de Patrimonio Imobiliário -Fungepi BES
Fungere - Fondo de Gestão de Património Imobiliário
Ganadera Corina Campos y Haciendas, S/A

Company

Gestres - Gestão Estratégica Espírito Santo, SA
Global Active - Gestão Part. Soc., SGPS, S.A.
Goggles Marine, Ltd
Group Credit Agricole
Groupe CFCA SAS
Grupo Proyectos y Servicios Sarrion, SA
Guaraiuva mpreendimento Imobiliários Lda.
HCI - Health Care International Inc.
HDC - Serviços de Turismo e Imobiliário, SA
Herdade da Comporta - Actividades Agro Silvícolas e Turísticas, SA
Herdade da Comporta - Actividades Hoteleiras, Turísticas e Culturais, Lda.
Herdade da Comporta - Fundo Especial de Investimento Imobiliário Fechado
Hlc - Centrais de Cogeração, SA
HME Gestão Hospitalar
Hospital da Arrábida - Gaia, SA
Hospital da Luz - Centro Clínico da Amadora, SA
Hospital da Luz, SA
Hospital Residêncial do Mar, SA
Hospor - Hospitais Portugueses, SA
Hoteis Tivoli, SA
Hotelagos, SA
I.A.C. UK, Limited
Iber Foods - Produtos Alimentares e Biológicos, SA
Ijar Leasing Algérie SPA
Imocrescente-Fundo de Investimento Imobiliário Fechado
Imopca, SA
Imoprime FIIF- Fundo de Investimento Imobiliário Fechado
Instituto de Radiologia Dr. Idálio de Oliveira - Centro de Radiologia Médica, S.A.
Inter-Atlântico, S/A
Locarent - Companhia Portuguesa de Aluguer de Viaturas, SA
Lote Dois - Empreendimentos Turísticos SA
Lusitano Project Finance No. 1 FTC
Luzboa Dois, SA
Luzboa Quatro, SA
Luzboa Três, SA
Luzboa Um, SA
Luzboa, SA
Margrimar - Mármores e Granitos, SA
Marinoteis - Sociedade de Promoção e Construção de Hoteis, SA
Marmetal - Mármores e Materiais de Construção, SA
MCO2 – Sociedade Gestora de Fundos de Investimento Mobiliário
Mediterranean Strategical Investments SA
Metal - Lobos Serralharia e Carpintaria, Lda
MMCI - Multimédia, SA
Mobile World - Comunicações, SA
Moza Banco S.A.
Mozambique Agricultural Corp SA
Multiger - Sociedade de Gestão e Investimento Imobiliário, SA
Multipessoal Recursos Humanos SGPS
Multiwave Photonics, SA
Mundo Vip - Operadores Turísticos, SA
Nanium, S.A.
Net Viagens - Agência de Viagens e Turismo, SA
Novagest Assets Management, Ltd
Nutrigreen, S.A.
Opca Angola, SA
Opca Moçambique, Lda
Opcatelecom - Infraestuturas de Comunicação, SA
Opway - Engenharia, SA
Opway - SGPS, SA
Opway Engenharia Brasil SA
Opway Imobiliária, SA
Opway México SA de CV
Opway Moçambique - Engenharia, Lda
Opway NT-Novas Tecnologias, SA
Opway-Somague, Grupo Construtor do Data Center PT, ACE
Orey Reabilitação Urbana - Fundo de Investimento Imobiliário Fechado
Outsystems, S.A.
Palexpo - Imagem Empressarial, SA
Paraguay Agricultural Corporation SA

Company (cont.)

Pátio das Andorinhas - Investimentos Imobiliários Lda
Pavi do Brasil - Pré-Fabricação, Tecnologia e Serviços, Lda.
Pavicentro - Pré-Fabricação, SA
Pavilis - Pré-Fabricação, SA
Paviseu - Materiais Pré-Fabricados, SA
Pavitel, SARL
Personda - Sociedade de Perfurações e Sondagens, SA
Placon - Estudos e Projectos de Construção, Lda
Pojuca, SA
Pontave - Construções, SA
Praia do Forte Operadora de Turismo, Lda
Promorail - Tecnologias de Caminhos de Ferro, SA
Prosport, SA
Quinray Technologies Corp.
Quinta da Baroneza Empreendimentos e Participações, Lda
Quinta da Foz - Empreendimentos Imobiliários SA
Recigreen - Reciclagem e Gestão Ambiental, SA
Recigroup - Industrias de Reciclagem, SGPS, SA
Recipav - Engenharia e Pavimentos, Unipessoal, Lda
Recipneu - Empresa Nacional de Reciclagem de Pneus, Lda
Ribeira do Marchante, Administração de Bens Móveis e Imóveis, S.A.
Rio Forte Investments SA
Rioforte (Portugal), SA
Rioforte Investment Holding Brasil S/A
Rioforte Investment Holding Mozambique, SGPS, SA
RML - Residência Medicalizada de Loures, SGPS, SA
Rodi Sinks & Ideas, SA
Salgar Investments S.L.
Santa Mónica - Empreendimentos Turísticos, SA
Saramagos S/A Empreendimentos e Participações
Saxo Bank
SCA Mandel Partners
Series - Serviços Imobiliários Espírito Santo, SA
Sintra Empreendimentos Imobiliários, Lda
Sirmione Empreendimentos Imobiliários Lda.
Siages, SA Desenvolvimento de Projectos de Energia
Sociedad Agricola Golondrina, S/A
Sociedade Construtora Colombiana, SA
Sociedade de Administração de Bens - Casa de Bons Ares, S.A.
Sociedade Gestora do Hospital de Loures, SA
Société Congolaise de Construction et Travaux Publiques, SARL
Solférias - Operadores Turísticos, Lda
Sopol - Concessões, SGPS, SA
Sotal - Sociedade de Gestão Hoteleira, S.A.
Sousacamp, SGPS, SA
Space - Sociedad Peninsular de Aviación, Comércio e Excursiones, SA
Sulgilor - Imobiliária do Sul, SA
Surgicare - Unidades de Saúde, SA
Synergy Industry and Technology, S.A.
TA DMC Brasil - Viagens e Turismo, SA
Terras de Bragança Participações, Lda
The Atlantic Company (Portugal) - Turismo e Urbanização, SA
Timeantube Comércio e Serviços de Confecções, Lda
Tivoli Ecoresidences Praia do Forte Lda
Tivoli Gare do Oriente - Sociedade de Gestão Hoteleira, S.A.
TLCI 2 - Soluções Integradas de Telecomunicações, SA
TOP A DMC Viajes, SA
Top Atlântico - Viagens e Turismo Moçambique Lda
Top Atlântico - Viagens e Turismo, SA
Top Atlântico DMC, SA
Top Partner - Viagens & Soluções Empresariais, SA
Transcontinental - Empreendimentos Hoteleiros, SA
Turifonte, Empreendimentos Hoteleiros, SA
Turistrader - Sociedade de Desenvolvimento Turístico, SA
Unicre - Cartão Internacional de Crédito, SA
Ushuaia - Gestão e Trading Internacional Limited
Vila Lusitano - Unidades de Saúde, SA
Viveiros da Herdade da Comporta - Produção de Plantas Ornamentais, Lda
Watson Boown HSM, Ltd
Winpart Lda

As at 31 December 2013 and 2012, the total amount of the assets and liabilities of the Group with associates or related companies, is as follows:

	31.12.2013					31.12.2012				
	Assets	Liabilities	Guarantees	Income	Expenses	Assets	Liabilities	Guarantees	Income	Expenses
	(In thousands of euro)									
ESI S.A.	1 119 975	965	-	64 025	49	1 056 030	5 176	-	47 355	3
ASCENDI GROUP SGPS	378 805	13 398	20 994	25 609	103	299 462	3 781	28 364	11 278	2
ESR LTD	223 002	1 712	-	19 985	238	373 587	2 463	-	48 303	221
ASCENDI PINHAL INTERIOR	141 765	4 660	10 842	4 426	-	98 356	2 051	15 374	3 073	-
LOCARENT	109 529	1 841	-	1 386	9 873	129 818	3 724	-	2 692	11 127
ES SAUDE	64 397	25 077	4 003	402	-	63 660	13 140	24 269	464	2
SAXO BANK	47 727	1 104	-	3 884	-	20 064	17	-	-	-
NANIUM	30 925	512	206	201	-	35 327	4 272	18 349	306	4
CONSTRUCCIONES SARRION	15 393	-	8 115	131	-	16 527	-	8 745	233	-
OPWAY	13 646	2 371	44 655	157	-	6 331	35 089	48 029	362	225
ESEGUR	6 933	12	2 273	2 478	612	7 822	20	2 105	1 355	722
SOUSACAMP	5 357	-	-	-	351	3 764	-	-	120	-
DIRECTORS	3 506	1 888	-	58	1	4 449	1 600	-	10	-
EMPARK	3 375	-	1 125	1 586	-	49 179	-	4 684	3 872	246
ES TOURISM	2 570	23	-	1	-	699	562	-	71	-
EUROP ASSISTANCE	1 423	2 549	25	78	15 243	1 468	2 749	25	85	14 862
BES SEGUROS	733	17 560	-	4 187	22	1 148	18 505	-	4 053	16
MARINOTEIS	712	50	11	6	-	963	41	11	43	4
TOP ATLANTICO	153	32	-	3	883	240	37	-	4	1 235
AENOR DURO	-	-	-	-	-	271 887	3 461	11 000	8 985	-
ES IRMAOS	-	7 294	-	50	3	104 570	5	-	4 708	-
ESPII	-	76	-	1 538	1	43 519	44	-	4 528	-
PALEXPO	-	-	26	-	-	7 266	124	26	537	-
SCUTVIAS	-	-	-	-	-	7 147	-	6 545	2 631	3 083
ESR (P)	-	118	-	-	611	-	75	-	-	493
Others	144 855	111 283	23 988	9 725	7 140	117 574	51 283	28 289	18 796	5 694
	2 314 781	192 525	116 263	139 916	35 130	2 720 857	148 219	195 815	163 864	37 939

Balances and transactions with the above referred entities relate mainly to loans and advances and deposits in the scope of the banking activity of the Group.

The costs with salaries and other benefits attributed to ESFG key management personnel, as well as the transactions performed with ESFG key management personnel are presented in Note 13.

As at 31 December 2013 and 2012, the total amount of the assets of the Group with associates or related companies, by residual term is as follows:

	3-6 months	12 months	1-5 years	More than 5 years	Total
	(in thousands of euro)				
2013	1 406 551	444 266	76 093	387 871	2 314 781
2012	1 430 353	500 171	342 390	447 943	2 720 857

The interest rate applied to loans and advances to associates and related parties range from 2.64% to 6.43% in 2013 and from 2.2% to 7.19% in 2012. The collateral the Group received on some loans and advances to related parties consists mainly of unquoted securities.

In 2012 the Group acquired:

(i) to the Group pension funds, 49 779 and 37 115 thousand units of the Fungere Fund and Fungepi Fund, by the amount of euro 158.1 million and euro 87.2 million, respectively;
(ii) to ESPART, 50% of the company Greenwoods, 100% of Quinta D. Manuel I and 100% of the company Várzea da Lagoa by the amount of euro 50.7 million;
(iii) to OPWAY, 100% of the company Quinta da Areia and several properties by the amount of euro 43.1 million euros; and
(iv) to Rio Forte Investments, SA, 64 206 units of the Fimes Oriente Fund by the amount of euro 103.3 million.

In November 2012 following the acquisition by Rio Forte Investments, S.A. (Rio Forte) of an additional 19.5% stake in ES Saúde, ESFG and Rio Forte signed a shareholders' agreement under which Rio Forte assumes control over ES Saúde governing bodies and Rio Forte acquired from ESFG a call option, currently exercisable up to May 2013, over 5.5% of ES Saúde sharecapital plus 1 share, giving Rio Forte the current ability to exercise control over the majority of the voting rights of ES Saúde (See Notes 1, 33 and 55).

In 2013 the Group did not acquire any relevant shareholdings/ assets from related parties.

NOTE 50 - SECURITISATION TRANSACTIONS

As at 31 December 2013, the outstanding securitisation transactions performed by the Group were as follows:

Designation	Initial date	Original amount	Current amount	Asset securitised
		(in thousands of euro)		
Lusitano Mortgages No.1 plc	December 2002	1 000 000	329 803	Mortgage loans (subsidised regime)
Lusitano Mortgages No.2 plc	November 2003	1 000 000	329 098	Mortgage loans (subsidised and general regime)
Lusitano Mortgages No 3 plc	November 2004	1 200 000	480 967	Mortgage loans (general regime)
Lusitano Mortgages No.4 plc	September 2005	1 200 000	556 130	Mortgage loans (general regime)
Lusitano Mortgages No.5 plc	September 2006	1 400 000	777 355	Mortgage loans (general regime)
Lusitano SME No.1 plc	October 2006	862 607	176 657	Loans to small and medium entities
Lusitano Mortgages No 6 plc	July 2007	1 100 000	721 919	Mortgage loans (general regime)
Lusitano Project Finance No.1, FTC	December 2007	1 079 100	118 810 (1)	Project Finance Loans
Lusitano Mortgages No.7 plc	September 2008	1 900 000	1 719 046	Mortgage loans (general regime)
Lusitano Leverage Finance No. 1 BV	February 2010	516 534 (2)	52 395	Leverage Finance Loans
Lusitano Finance No. 3	November 2011	657 981	289 678	Consumer Loans
IM BES Empresas 1	November 2011	485 000	272 068	Loans to small and medium entities

(1) In March 2011, the credit portfolio associated to this securitisation was partially sold, with the remaining (domestic credit) been to "Lusitano Project Finance No.1 FTC".

(2) This securitisation includes the amount of euro 382 062 thousand of mortgage loans from BES and an amount of euro 134 472 thousand of mortgage loans from BESI and ES Vénétie.

As permitted by IFRS 1, the Group has applied the derecognition requirements of IAS 39 for the transactions entered into after 1 January 2004. Therefore, the assets derecognised until that date, in accordance with the previous accounting policies of the Group, were not restated in the balance sheet.

The assets sold in the securitisation transactions Lusitano Mortgages No.3, Lusitano Mortgages No. 4 and Lusitano Mortgages No. 5, performed after 1 January 2004, were derecognised considering that the Group has transferred substantially all the risks and rewards of ownership.

In accordance with SIC 12, the Group fully consolidates Lusitano SME No. 1 plc, Lusitano Mortgages No. 6, plc, Lusitano Project Finance No. 1 FTC, and Lusitano Mortgages No. 7 plc, as it retains the majority of the risks and rewards associated with the activity of these SPE. Therefore, the respective assets and liabilities are included in the consolidated balance sheet of the Group. The other securitization vehicles are not included in the consolidated financial statements of the Group as it has not retained the majority of the risks and rewards of ownership.

In 2011 there were two securitisation transactions: loans to households (Lusitano Finance No. 3) with loan originated by BES and other of corporate loans (IM BES Empresas 1) with loans originated by BES Spanish branch. During 2010 it was set-up two securitization operations of corporate loans (Lusitano Leverage Finance No. 1) which includes loans from BES London Branch, BESI and ES Vénétie and other of corporate loans and commercial paper

(Lusitano SME No. 2), and the latter been repaid in March 2012. These loans were not derecognised considering that the group has not transferred substantially all the risks and rewards of ownership.

As at 31 December 2013, the Group had also two synthetic securitisation operations underway. In these operations the Group contracted a credit default swap (CDS), with the objective of eliminating the credit risk of a portfolio of loans. The loans related to this portfolio continue to be recognized in the Group balance sheet in the loans and advances to customers caption.

The main characteristics of these transactions, as at 31 December 2013, can be analysed as follows:

Designation	Notes issued	Issued amount (par value)	Current amount (par value)	Interest held by Group (par value)	Maturity date	Initial Ratings				Actual Ratings			
						Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
			(in thousands of euro)										
Lusitano Mortgages No.1 plc	Class A	915 000	233 768	77	December 2035	AAA	Aaa	AAA	-	A	Baa1	A-/*-	-
	Class B	32 500	32 500	-	December 2035	AA	Aa3	AA	-	A	Ba1	A-/*-	-
	Class C	25 000	25 000	3 000	December 2035	A	A2	A	-	A	Ba3	A-/*-	-
	Class D	22 500	22 500	-	December 2035	BBB	Baa2	BBB	-	BBB+	B2	BB	-
	Class E	5 000	5 000	-	December 2035	BB	Ba1	BB	-	BB+	Caa1	B-	-
	Class F	10 000	10 000	-	December 2035	-	-	-	-	-	-	-	-
Lusitano Mortgages No.2 plc	Class A	920 000	246 612	3 789	December 2036	AAA	Aaa	AAA	-	A	Baa3	A-/*-	-
	Class B	30 000	30 000	12 500	December 2048	AA	Aa3	AA	-	A	Ba2	A-/*-	-
	Class C	23 000	23 000	5 000	December 2046	A	A3	A	-	A	B2	BB	-
	Class D	16 000	16 000	4 000	December 2046	BBB	Baa3	BBB	-	BBB+	Caa1	B	-
	Class E	6 000	6 000	-	December 2046	BBB-	Ba1	BB	-	BB	Caa3	B-	-
	Class F	9 000	9 000	-	December 2046	-	-	-	-	-	-	-	-
Lusitano Mortgages No.3 plc	Class A	1 140 000	425 907	3 512	December 2047	AAA	Aaa	AAA	-	A	Ba1	A-/*-	-
	Class B	27 050	16 713	-	December 2047	AA	Aa2	AA	-	A	B2	BBB	-
	Class C	18 630	11 513	-	December 2047	A	A2	A	-	BBB	Caa1	BB-	-
	Class D	14 400	8 913	-	December 2047	BBB	Baa2	BBB	-	BB-	Caa2	B-	-
	Class E	10 800	8 335	-	December 2047	-	-	-	-	-	-	-	-
Lusitano Mortgages No.4 plc	Class A	1 134 000	468 862	6 884	December 2048	AAA	Aaa	AAA	-	BBB-	Ba1	A-/*-	-
	Class B	22 800	21 553	-	December 2048	AA	Aa2	AA	-	BBB-	B3	BBB	-
	Class C	19 200	18 153	3 309	December 2048	A+	A1	A+	-	BB	Caa1	B+	-
	Class D	24 000	22 687	4 935	December 2048	BBB+	Baa1	BBB+	-	CCC	Caa3	B-	-
	Class E	10 200	10 200	1 370	December 2048	-	-	-	-	-	-	-	-
Lusitano Mortgages No.5 plc	Class A	1 323 000	686 711	5 191	December 2059	AAA	Aaa	AAA	-	BBB-	Ba2	A-/*-	-
	Class B	26 600	25 494	-	December 2059	AA	Aa2	AA	-	BB	Caa1	BBB-	-
	Class C	22 400	21 469	-	December 2059	A	A1	A	-	B	Caa3	B	-
	Class D	28 000	26 836	5 500	December 2059	BBB+	Baa2	BBB	-	CCC	Ca	B-	-
	Class E	11 900	11 900	1 700	December 2059	-	-	-	-	-	-	-	-
Lusitano SME No.1 plc	Class A	759 525	40 509	10 345	December 2028	AAA	-	AAA	-	A	-	A-/*-	-
	Class B	40 974	32 506	-	December 2028	AAA	-	AAA	-	AAA	-	AAA	-
	Class C	34 073	27 011	-	December 2028	BB	-	BB	-	CCC	-	B	-
	Class D	29 035	22 241	22 241	December 2028	-	-	-	-	-	-	-	-
	Class E	8 626	4 313	4 313	December 2028	-	-	-	-	-	-	-	-
Lusitano Mortgages No.6 plc	Class A	913 250	536 213	55 416	March 2060	AAA	Aaa	AAA	-	A	Ba1	A-/*-	-
	Class B	65 450	65 450	58 950	March 2060	AA	Aa3	AA	-	BBB	Ba3	BBB-	-
	Class C	41 800	41 800	31 800	March 2060	A	A3	A	-	BB	B3	BB	-
	Class D	17 600	17 600	17 600	March 2060	BBB	Baa3	BBB	-	B	Caa2	B	-
	Class E	31 900	31 900	31 900	March 2060	BB	-	BB	-	CCC	-	CCC	-
	Class F	22 000	22 000	22 000	March 2060	-	-	-	-	-	-	-	-
Lusitano Project Finance No.1 FTC		191 101	112 333	112 333	March 2021	-	-	-	-	-	-	-	-
Lusitano Mortgages No.7 plc	Class A	1 425 000	1 236 330	1 236 330	October 2064	-	-	AAA	AAA	-	-	A-/*-	AAH
	Class B	294 500	294 500	294 500	October 2064	-	-	BBB-	-	-	-	BB-	-
	Class C	180 500	180 500	180 500	October 2064	-	-	-	-	-	-	-	-
	Class D	57 000	57 000	57 000	October 2064	-	-	-	-	-	-	-	-
Lusitano Leverage finance No.1 BV	Class A	352 000	-	-	January 2020	-	-	AAA	-	-	-	-	-
	Class X	21 850	21 850	20 633	January 2020	-	-	-	-	-	-	-	-
	Class Sub	206 800	110 219	85 298	January 2020	-	-	-	-	-	-	-	-
Lusitano Finance N.º 3	Class A	450 700	107 233	107 233	November 2029	-	-	-	-	-	-	-	-
	Class B	207 200	207 200	207 200	November 2029	-	-	-	-	-	-	-	-
	Class C	24 800	10 000	10 000	November 2029	-	-	-	-	-	-	-	-
IM BES Empresas 1	Class A	242 500	18 998	-	November 2043	-	AAA	-	-	-	A3	-	-
	Class B	243 500	242500	242 500	November 2043	-	Caa2	-	-	-	Caa2	-	-

NOTE 51 - TRANSFER OF ASSETS

As part of the restructuring process of the Portuguese real estate sector, several initiatives have been launched in order to create financial, operational and management conditions to revitalize the sector. Accordingly, the Government, in close liaison with the business and the financial sector (the banks), including the BES Group, encouraged the creation of companies and specialized funds that, through merger, consolidation and integrated management, would obtain the required synergies to recover the sector. Pursuing the goals established, were created companies (parent companies), where BES Group has minority interests (in partnership with other banks that also have a minority interest), and which in turn now hold almost all of the capital of certain subsidiaries (subsidiaries of those parent companies) in order to acquire certain real estate bank loans.

During 2013 and 2012, BES transferred financial assets (mainly corporate loans) to the subsidiaries of the parent companies. These entities are responsible for managing the assets received as collateral, which after the transfer of loans are received in exchange for the loans, and have the goal to implement a plan to increase its value. Almost all of the financial assets transferred in these operations were derecognised from the balance sheet of the Group, since a substantial portion of the risks and rewards associated with these, as well as the respective control, were transferred to those third parties.

These acquiring entities (the subsidiaries of the parent companies) have a specific management structure, fully autonomous from the banks, selected on the date of their incorporation and have the following main responsibilities:

- define the entity's purpose;
- administer and manage on an exclusive and independent way the assets acquired, determine objectives and investment policy and the manner to conduct the entity's management and affairs.

The acquiring entities are predominantly financed through the issuance of senior equity instruments fully underwritten by the parent company. The amount of capital represented by senior securities equals the fair value of the underlying asset, determined through a negotiation process based on valuations made by both parties. These securities are remunerated at an interest rate that reflects the risk of the company holding the assets. Additionally, the funding can be supplemented through banks underwriting of junior capital instruments equal to the difference between the book value of the loans transferred and the fair value based on the senior securities valuation. These junior instruments, when signed by BES Group will be entitled to a contingent positive amount if the assets transferred value, when sold, exceeds the amount of senior securities plus its remuneration. Normally, the amount of the junior security is limited to a maximum of 25% of the total amount resulting from the senior and junior securities issued.

Given that these junior securities reflect a different assessment of the assets transferred fair value, based on valuation performed by independent bodies and a negotiation process between the parties, they are fully provided for in the Group's balance sheet.

Therefore, following transfer of assets occurred in 2012 the Group subscribed:

- equity instruments, representing the parent companies' share capital on which the cash flows that will enable its recovery come from a wide range of assets transferred by the various banks. These securities are recorded under financial assets available for sale and are measured at market value with valuation regularly reported by those parent companies whose accounts are audited at the end of each year;
- junior instruments issued by the acquiring companies (the subsidiaries of the parent companies), which are fully provided for thus reflecting the best impairment estimation of the financial assets transferred.

The instruments subscribed by BES Group clearly resulted in a minority position in the capital of the parent companies and of its subsidiaries.

In this context, having no control but being exposed to some risk and rewards of ownership in relation to the transferred assets through the securities subscribed as referred to above, the Group, in accordance with IAS 39.21, conducted an analysis in order to compare the exposure to the variability of risks and rewards of the transferred assets before and after the operation and concluded that it has not retained substantially all the risks and rewards of ownership. Additionally, and considering that also no control has been retained, it proceeded in accordance with IAS 39.20c (i) to the derecognition of the assets transferred and the recognition of the assets received in return, as shown in the following table:

	Amounts at transfer date							
	Amount of the assets transferred			Securities subscribed				
	Net assets transferred	Transfer amount	Result of the transfer	Shares (senior securities)	Junior securities	Total	Impairment	Net amount
				(in thousands of euro)				
In 2012								
Fundo Recuperação Turismo, FCR	282 121	282 121	-	256 892	34 906	291 798	(34 906)	256 892
FLIT SICAV	252 866	254 547	1 681	235 318	23 247	258 565	(23 247)	235 318
Discovery Portugal Real Estate Fund	96 196	93 208	(2 988)	96 733	-	96 733	-	96 733
Fundo Vallis Construction Sector	66 272	66 272	-	81 002	21 992	102 994	(21 992)	81 002
Fundo Recuperação, FCR	145 564	149 883	4 319	148 787	36 182	184 969	(23 000)	161 969
In 2013								
Fundo Vallis Construction Sector	18 552	18 552	-	1 606	2 874	4 480	(2 874)	1 606
FLIT SICAV	80 769	80 135	(634)	85 360	-	85 360	-	85 360
Discovery Portugal Real Estate Fund	51 809	45 387	(6 422)	51 955	-	51 955	-	51 955
Fundo Recuperação Turismo, FCR	11 066	11 066	-	-	-	-	-	-
Fundo Recuperação, FCR	52 983	52 963	(20)	726	-	726	-	726
Fundo Reestruturação Empresarial	67 836	67 836	-	99 403		99 403	-	99 403
	1 126 034	**1 121 970**	**(4 064)**	**1 057 782**	**119 201**	**1 176 983**	**(106 019)**	**1 070 964**

As at 31 December 2013, the Group's total exposure in operations related to transfer of loans/assets amounted to euro 1 135.6 billion (euro 984.7 million, net of impairment).

As showed in the table above, the junior securities underwritten specifically as part of the transfer of assets are fully provided for. Although the junior securities are fully provided for, the Group also maintains an indirect exposure to the assets transferred through its minority interest in the parent companies capital and therefore, in all pool of assets that resulted from the various assets transfers performed by the banks (shareholders of the parent companies).

There was however an operation with the company FLITPTREL VIII in which, as the acquiring company substantially holds assets transferred by BES Group and considering the holding of junior securities, the variability test resulted in a substantial exposure to all risks and rewards. In this circumstance, the operation, amounting to euro 60 million, remained recognized in the Group's balance sheet under Loans and advances to customers.

NOTE 52 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities, for the Group, is analysed as follows:

	Amortised Cost	Fair Value			Book Value	Fair Value
		Quoted Market Prices	Valuation models based on observable market information	Valuation models based on non-observable market information		
			(in thousands of euro)			
Balance as at 31 December 2013						
Cash and deposits at central banks	1 828 674	-	-	-	1 828 674	1 828 674
Deposits with banks	1 148 934	-	-	-	1 148 934	1 148 934
Financial assets held for trading	-	1 073 726	1 412 051	2 688	2 488 465	2 488 465
Securities						
Bonds issued by government and public entities	-	955 951	-	-	955 951	955 951
Bonds issued by other etities	-	85 283	17 413	2 583	105 279	105 279
Shares	-	30 894	69	-	30 963	30 963
Other variable income securities	-	1 596	-	105	1 701	1 701
Derivatives						
Exchange rate contracts	-	-	69 990	-	69 990	69 990
Interest rate contracts	-	-	1 231 045	-	1 231 045	1 231 045
Credit default contracts	-	-	34 840	-	34 840	34 840
Others	-	-	58 696	-	58 696	58 696
Other financial assets at fair value through profit or loss	-	2 349 139	742 242	472 737	3 564 118	3 564 118
Bonds issued by government and public entities	-	1 234 847	-	-	1 234 847	1 234 847
Bonds issued by other etities	-	493 999	701 821	33 647	1 229 467	1 229 467
Shares and other variable income securities	-	620 293	40 421	439 090	1 099 804	1 099 804
Available-for-sale financial assets	6 547 (*)	5 142 754	2 435 703	1 344 774	8 929 778	8 929 778
Bonds issued by government and public entities	-	2 960 469	1 139 328	-	4 099 797	4 099 797
Bonds issued by other etities	-	932 457	1 193 538	112 717	2 238 712	2 238 712
Shares	6 547 (*)	541 885	42 579	588 701	1 179 712	1 179 712
Other variable income securities	-	707 943	60 258	643 356	1 411 557	1 411 557
Loans and advances to banks	4 827 790	-	-	-	4 827 790	4 827 790
Loans and advances to customers	48 683 844	-	586 823	-	49 270 667	46 547 627
Held-to-maturity investments	1 672 068	-	-	-	1 672 068	1 634 217
Bonds issued by government and public entities	437 778	-	-	-	437 778	437 364
Bonds issued by other etities	1 234 290	-	-	-	1 234 290	1 196 853
Derivatives for risk management purposes	-	-	363 391	-	363 391	363 391
Exchange rate contracts	-	-	1 726	-	1 726	1 726
Interest rate contracts	-	-	317 132	-	317 132	317 132
Credit default contracts	-	-	25 188	-	25 188	25 188
Others	-	-	19 345	-	19 345	19 345
Financial assets	**58 167 857**	**8 565 617**	**5 540 212**	**1 820 199**	**74 093 885**	**71 332 995**
Deposits from central banks	9 772 244	-	-	-	9 772 244	9 772 244
Financial liabilities held for trading	-	7 262	1 329 506	-	1 336 768	1 336 768
Derivatives						
Exchange rate contracts	-	-	50 333	-	50 333	50 333
Interest rate contracts	-	-	1 097 335	-	1 097 335	1 097 335
Credit default contracts	-	-	18 387	-	18 387	18 387
Others	-	-	156 229	-	156 229	156 229
Other financial liabilities held for trading	-	7 262	7 222	-	14 484	14 484
Deposits from banks	4 809 385	-	224 109	-	5 033 494	4 971 149
Due to customers	28 647 635	-	9 446 172	-	38 093 807	38 093 807
Debt securities issued	9 368 898	-	3 246 310	-	12 615 208	15 064 832
Derivatives for risk management purposes	-	-	130 710	-	130 710	130 710
Exchange rate contracts	-	-	1 501	-	1 501	1 501
Interest rate contracts	-	-	79 667	-	79 667	79 667
Credit default contracts	-	-	10 949	-	10 949	10 949
Others	-	-	38 593	-	38 593	38 593
Investment contracts	2 804 498	-	1 669 423	-	4 473 921	3 382 054
Subordinated debt	1 402 915	-	273	-	1 403 188	1 443 582
Financial liabilities	**56 805 575**	**7 262**	**16 046 503**	**-**	**72 859 340**	**74 195 146**

(*) Assets at acquisition cost net of impairment losses. These assets refer to equity instruments issued by non-quoted entities in relation to which no recent transactions were identified or is not possible to estimate reliably its fair value.

	Amortised Cost	Fair Value			Book Value	Fair Value
		Quoted Market Prices	Valuation models based on observable market information	Valuation models based on non-observable market information		
			(in thousands of euro)			
Balance as at 31 December 2012						
Cash and deposits at central banks	1 444 831	-	-	-	1 444 831	1 444 831
Deposits with banks	1 126 853	-	-	-	1 126 853	1 126 853
Financial assets held for trading	-	1 490 879	2 490 966	-	3 981 845	3 981 845
Securities						
Bonds issued by government and public entities	-	1 349 507	46 076	-	1 395 583	1 395 583
Bonds issued by other etities	-	98 686	166 371	-	265 057	265 057
Shares	-	40 505	11 776	-	52 281	52 281
Other variable income securities	-	2 181	-	-	2 181	2 181
Derivatives						
Exchange rate contracts	-	-	76 786	-	76 786	76 786
Interest rate contracts	-	-	1 997 925	-	1 997 925	1 997 925
Credit default contracts	-	-	44 913	-	44 913	44 913
Others	-	-	147 119	-	147 119	147 119
Other financial assets at fair value through profit or loss	-	1 324 283	997 673	281 507	2 603 463	2 603 463
Bonds issued by government and public entities	-	516 859	-	-	516 859	516 859
Bonds issued by other etities	-	240 984	668 065	47 321	956 370	956 370
Shares and other variable income securities	-	566 440	329 608	234 186	1 130 234	1 130 234
Available-for-sale financial assets	8 605 [(*)]	5 367 885	4 705 052	959 693	11 041 235	11 041 235
Bonds issued by government and public entities	-	3 204 546	1 293 451	-	4 497 997	4 497 997
Bonds issued by other etities	-	998 414	3 208 240	19 297	4 225 951	4 225 951
Shares	8 605 [(*)]	783 266	74 595	508 688	1 380 154	1 380 154
Other variable income securities	-	376 659	128 766	431 708	937 133	937 133
Loans and advances to banks	4 548 247	-	-	-	4 548 247	4 548 247
Loans and advances to customers	50 180 516	-	512 362	-	50 692 878	47 670 608
Held-to-maturity investments	1 119 047	-	-	-	1 119 047	1 069 283
Bonds issued by government and public entities	404 393	-	-	-	404 393	423 863
Bonds issued by other etitles	714 654	-	-	-	714 654	645 421
Derivatives for risk management purposes	-	-	516 520	-	516 520	516 520
Exchange rate contracts	-	-	5 356	-	5 356	5 356
Interest rate contracts	-	-	460 692	-	460 692	460 692
Credit default contracts	-	-	10 216	-	10 216	10 216
Others	-	-	40 256	-	40 256	40 256
Financial assets	**58 428 099**	**8 183 047**	**9 222 573**	**1 241 200**	**77 074 919**	**74 002 885**
Deposits from central banks	10 941 325	-	-	-	10 941 325	10 941 325
Financial liabilities held for trading	-	796	2 123 429	-	2 124 225	2 124 225
Derivatives	-	-	-	-	-	-
Exchange rate contracts	-	-	80 101	-	80 101	80 101
Interest rate contracts	-	-	1 855 768	-	1 855 768	1 855 768
Credit default contracts	-	-	31 478	-	31 478	31 478
Others	-	-	156 082	-	156 082	156 082
Other financial liabilities held for trading	-	796	-	-	796	796
Deposits from banks	4 453 703	-	612 277	-	5 065 980	4 875 828
Due to customers	26 828 492	-	8 796 982	-	35 625 474	35 625 474
Debt securities issued	13 293 288	-	2 659 582	-	15 952 870	16 426 268
Derivatives for risk management purposes	-	-	125 199	-	125 199	125 199
Exchange rate contracts	-	-	232	-	232	232
Interest rate contracts	-	-	65 437	-	65 437	65 437
Credit default contracts	-	-	18 340	-	18 340	18 340
Others	-	-	41 190	-	41 190	41 190
Investment contracts	1 729 390	-	2 114 630	-	3 844 020	4 045 862
Subordinated debt	1 176 219	-	263	-	1 176 482	1 180 958
Financial liabilities	**58 422 417**	**796**	**16 432 362**	**-**	**74 855 575**	**75 345 139**

[(*)] Assets at acquisition cost net of impairment losses. These assets refer to equity instruments issued by non-quoted entities in relation to which no recent transactions were identified or is not possible to estimate reliably its fair value.

The Group determines the fair value of its financial assets and liabilities in accordance with the following hierarchy:

Quoted market prices (level 1) – this category includes financial assets with available quoted market prices in official markets and with dealer prices quotations provided by entities that usually provide transaction prices for these assets/liabilities traded in active markets.

Valuation models based on observable market information (level 2) – consists on the use of internal valuation techniques, namely discounted cash flow models and option pricing models which imply the use of estimates and require judgments that vary in accordance with the complexity of the financial instrument. Notwithstanding, the Group uses observable market data such as interest rate curves, credit spreads, volatility and market indexes. Includes also instruments with dealer price quotations but which are not traded in active markets.

Valuation models based on non-observable market information (level 3) – consists on the use of internal valuation techniques, mainly discounted cash flow models, or quotations provided by third parties but which imply the use of non-observable market information.

The movements of the financial assets valued based on non-observable market information, during 2013 and 2012, can be analysed as follows:

31.12.2013

	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
		(in thousands of euro)		
Balance as at 1 January	-	281 507	959 693	1 241 200
Acquisitions	25 660	36 008	360 250	421 918
Disposals	-	(54 797)	(56 082)	(110 879)
Transfer	(22 772)	205 748	117 021	299 997
Changes in value	(200)	4 271	(36 108)	(32 037)
Balance as at 31 December	**2 688**	**472 737**	**1 344 774**	**1 820 199**

31.12.2012

	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
		(in thousands of euro)		
Balance as at 1 January	-	14 332	253 507	267 839
Acquisitions	-	275 819	713 523	989 342
Disposals	-	(2 722)	(17 604)	(20 326)
Transfer	-	-	6 593	6 593
Changes in value	-	(5 922)	3 674	(2 248)
Balance as at 31 December	**-**	**281 507**	**959 693**	**1 241 200**

The main assumptions and inputs used in the valuation models are presented as follows:

Interest rates curves

The short term rates presented reflect benchmark interest rates for the money market, being that for the long term the presented values represent the swap interest rate for the respective years:

(Amounts expressed in thousands of euro, except when indicated)

	31.12.2013			31.12.2012		
	EUR	USD	GBP	EUR	USD	GBP
						(%)
Overnight	0.1100	0.1100	0.4100	0.0700	0.1000	0.4700
1 month	0.1941	0.1600	0.4100	0.1759	0.2300	0.4600
3 months	0.2870	0.3300	0.5200	0.1870	0.4150	0.4800
6 months	0.3890	0.4100	0.7350	0.3200	0.4400	0.6200
9 months	0.3981	0.4500	0.8100	0.3178	0.5900	0.7900
1 year	0.4130	0.3050	0.6412	0.3200	0.3260	0.5411
3 years	0.7715	0.8560	1.4342	0.4700	0.4765	0.7783
5 years	1.2580	1.7490	2.1337	0.7650	0.8260	1.0169
7 years	1.6820	2.4270	2.5770	1.1250	1.2435	1.3563
10 years	2.1550	3.0280	2.9876	1.5700	1.7500	1.8560
15 years	2.5809	3.5230	3.3160	2.0184	2.2800	2.4135
20 years	2.7139	3.7200	3.4170	2.1715	2.5020	2.7230
25 years	2.7399	3.8080	3.4380	2.2203	2.6240	2.8800
30 years	2.7309	3.8520	3.4360	2.2413	2.6880	2.9535

Credit spreads

The credit spreads used by the Group on the valuation of the credit derivatives are disclosed on a daily basis by Markit representing observations constituted for around 85 renowned international financial entities. The evolution of the main indexes, understood as being representative of the credit spreads behaviour in the market throughout the year, is presented as follows:

Index	Series	1 year	3 years	5 years	7 years	10 years
		(basis points)				
Year 2013						
CDX USD Main	21	7.67	29.88	62.44	88.95	107.99
iTraxx Eur Main	20	-	35.17	70.15	96.97	118.17
iTraxx Eur Senior Financial	20	-	-	87.06	-	135.18
Year 2012						
CDX USD Main	19	33.02	58.73	95.39	118.68	136.14
iTraxx Eur Main	18	-	76.38	117.43	141.58	154.60
iTraxx Eur Senior Financial	18	-	-	142.44	-	174.98

Interest rates volatility

The values presented below, refer to the implied volatilities (at the money) used for the valuation of the interest rate options:

(Amounts expressed in thousands of euro, except when indicated)

	31.12.2013			31.12.2012		
	EUR	USD	GBP	EUR	USD	GBP
		(%)				
1 year	112.77	75.90	49.18	197.18	66.60	54.10
3 years	65.30	72.76	55.78	84.70	72.90	64.90
5 years	53.30	50.62	45.99	67.50	63.22	60.80
7 years	45.20	38.21	38.55	52.90	51.03	49.60
10 years	36.80	31.55	31.80	39.70	42.33	37.20
15 years	30.68	35.58	26.58	31.43	35.80	27.80

Exchange rates and volatility

Presented below are the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

Exchange Rates	31.12.2013	31.12.2012	Volatility (%)				
			1 month	3 months	6 months	9 months	12 months
EUR/USD	1.3791	1.3194	7.65	7.75	7.88	8.15	8.32
EUR/GBP	0.8337	0.8161	6.55	6.73	7.00	7.13	7.33
EUR/CHF	1.2276	1.2072	3.25	3.83	4.23	4.58	4.89
EUR/NOK	8.3630	7.3483	8.05	8.03	7.95	8.00	7.98
EUR/PLN	4.1543	4.0740	5.00	5.84	6.56	7.08	7.53
EUR/RUB	45.3246	40.3295	7.37	7.89	8.43	8.90	9.41
USD/BRL [a)]	2.3621	2.0491	12.95	13.38	13.60	13.80	14.00
USD/TRY [b)]	2.1467	1.7850	14.50	13.80	13.60	13.60	13.60

[(a)] Calculation based in EUR/USD and EUR/BRL exchange rates

[(b)] Calculation based in EUR/USD and EUR/TRY exchange rates

Concerning the exchange rates, the Group uses in the valuation models the spot rate observed in the market at the time of the valuation.

Equity indexes

In the table below, is presented the evolution of the main market equity indexes and the respective volatilities used for the valuation of equity derivatives:

	Quote			Historical volatility		Implied volatility
	31.12.2013	31.12.2012	% change	1 month	3 months	
DJ Euro Stoxx 50	3 109	2 636	17.95	14.90	13.72	13.44
PSI 20	6 559	5 655	15.98	12.91	13.65	-
IBEX 35	9 917	8 168	21.42	15.39	15.34	-
FTSE 100	6 749	5 898	14.43	10.11	9.83	10.69
DAX	9 552	7 612	25.48	13.23	12.04	13.56
S&P 500	1 848	1 426	29.60	8.74	10.31	11.21
BOVESPA	51 507	60 952	(15.50)	19.34	20.22	-

The valuation adjustments which the Group has considered in the valuations of its derivatives and borrowings, were (i) credit value adjustments (CVA), reflecting the counterparties credit risk embedded in the fair value of derivatives, (ii) debit value adjustments (DVA), reflecting the Group's own credit risk embedded in the fair value of derivatives and own credit adjustments (OCA), reflecting the Group's own credit risk embedded in the fair value of non-quoted borrowings.

CVA per counterparty is calculated on the exposure per net counterparty exposure, to which is applied the probability of default (PD) of the counterparty and the loss given default.

OCA is calculated using market observable CDS spreads, namely BES CDS spreads.

The methods and assumptions used in estimating the fair values of financial assets and liabilities measured at amortised cost in the balance sheet are analysed as follows:

	Amortised Cost	Fair Value			Fair value
		Quoted Market Prices	Valuation models based on observable market information	Valuation models based on non-observable market information	
		Level 1	Level 2	Level 3	
			(in thousands of euro)		
Balance as at 31 December 2013					
Cash and deposits at central banks	1 828 674	1 828 674	-	-	1 828 674
Deposits with banks	1 148 934	1 148 934	-	-	1 148 934
Available-for-sale financial assets shares	6 547	-	-	6 547	6 547
Loans and advances to banks	4 827 790	-	4 827 790	-	4 827 790
Loans and advances to customers	48 683 844	-	45 960 805	-	45 960 805
Held-to-maturity investments	1 672 068	640 871	991 879	1 468	1 634 218
Bonds issued by government and public entities	437 778	434 900	2 464	-	437 364
Bonds issued by other etities	1 234 290	205 971	989 415	1 468	1 196 854
Financial assets	**58 167 857**	**3 618 479**	**51 780 474**	**8 015**	**55 406 968**
Deposits from central banks	9 772 244	9 772 244	-	-	9 772 244
Deposits from banks	4 809 385	-	4 747 040	-	4 747 040
Due to customers	28 647 635	-	28 647 635	-	28 647 635
Debt securities issued	9 368 898	6 289 708	5 294 682	234 132	11 818 522
Investment contracts	2 804 498	-	1 712 631	-	1 712 631
Subordinated debt	1 402 915	1 200 946	242 363	-	1 443 309
Financial liabilities	**56 805 575**	**17 262 898**	**40 644 351**	**234 132**	**58 141 381**

Cash and deposits at central banks, Deposits with banks and Loans and advances to banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the installments are paid on the dates that have been contractually defined. The expected future cash flows of loans with similar credit risk characteristics are estimated collectively. The discount rates used by the Group are current interest rates used in loans with similar characteristics.

Held-to-maturity investments

The fair values of these financial instruments are based on quoted market prices, when available. For unquoted securities the fair value is estimated by discounting the expected future cash-flows.

Deposits from central banks and Deposits from banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Due to customers

The fair value of these financial instruments is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined. The discount rates used by the Group are the current interest rates used in instruments with similar characteristics. Considering that the applicable interest rates to these instruments are floating interest rates and that the period to maturity is substantially less than one year, the difference between fair value and book value is not significant.

Debt securities issued and Subordinated debt

The fair value of these instruments is based on market prices, when available. When not available, the Group estimates its fair value by discounting the expected future cash-flows.

NOTE 53 - RISK MANAGEMENT

A qualitative outlook of the risk management at the Group is presented below:

Credit risk
Credit risk represents the potential financial loss arising from the failure of a borrower or counterparty to honour its contractual obligation. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterparty risk). Regarding credit default swaps, the net exposure between selling and buying positions in relation to each reference entity, is also considered as credit risk to the Group. The credit default swaps are accounted for at fair value in accordance with the accounting policy described in Note 2.4.

Credit portfolio management is an ongoing process that requires the interaction between the various teams responsible for the risk management during the consecutive stages of the credit process. This approach is complemented by the continuous introduction of improvements in the methodologies, in the risk assessment and control tools, as well as in procedures and decision processes.

The risk profile of ESFG Group's credit portfolios is analysed on a regular basis by the risk committees at the subsidiary level. In these meetings the Committees monitor and analyses the risk profile of the Group entities under four major perspectives: evolution of credit exposures, monitoring of credit losses, capital allocation and consumption and control of risk adjusted return.

ESFG Group credit risk exposure is analysed as follows:

	31.12.2013	31.12.2012
	(in thousands of euro)	
Deposits with banks	3 577 359	3 433 052
Financial assets held for trading	2 455 801	3 927 384
Financial assets at fair value through profit or loss	2 464 314	1 473 229
Available-for-sale financial assets	6 338 509	8 723 948
Loans and advances to customers	49 270 667	50 692 878
Held-to-maturity investments	1 672 068	1 119 047
Derivatives for risk management purposes	363 391	516 520
Other assets	729 168	605 374
Guarantees granted and stand by letters of credit	8 031 816	8 427 956
Open documentary credits	4 234 660	3 780 554
Irrevocable commitments	1 800 185	3 461 701
Credit risk linked to the reference entities of credit derivatives	176 305	489 884
	81 114 243	**86 651 527**

The analysis of the risk exposure by sector of activity, as at 31 December 2013 and 2012, can be analysed as follows:

	31.12.2013								
	Loans and advances to customers		Financial assets held for trading	Other financial assets as at fair value through profit or loss	Available-for-sale financial assets		Held-to-maturity investments		Financial guarantees issued
	Gross amount	Impairment			Gross amount	Impairment losses	Gross amount	Impairment losses	
	(in thousands of euro)								
Agriculture	474 905	(29 573)	8 596	-	7 017	-	-	-	36 054
Mining	256 767	(15 077)	3 083	6 115	13 392	(777)	-	-	41 035
Food, beverage and tobacco	1 022 636	(46 467)	26 696	47 396	11 770	(52)	4 594	-	70 930
Textiles	373 564	(39 938)	645	-	38 778	(3 957)	-	-	15 329
Shoes	75 046	(6 609)	205	-	499	(499)	-	-	1 543
Wood and cork	139 638	(29 582)	302	80 627	15 528	(1 329)	-	-	7 801
Printing and publishing	396 424	(36 462)	3 983	-	35 871	(10 000)	-	-	59 427
Refining and oil	3 007	(171)	274	22 273	93 043	(12 322)	-	-	5 461
Chemicals and rubber	644 899	(16 951)	9 715	26 062	23 731	(13 145)	-	-	95 966
Non-metallic minerals	337 314	(30 756)	253	-	12 730	(7 586)	-	-	21 146
Metallic products	960 765	(71 576)	7 208	3 223	3 696	(92)	-	-	193 496
Production of machinery, equipment and electric devices	243 660	(10 535)	1 264	257	12 645	(3 582)	-	-	120 120
Production of transport material	133 638	(6 238)	541	36 011	39 206	(108)	-	-	71 154
Other transforming industries	387 087	(30 205)	736	14 244	48 828	(16 515)	-	-	41 268
Electricity, gas and water	1 362 949	(13 846)	124 426	28 802	305 684	(3 278)	-	-	512 944
Construction	4 386 193	(473 686)	208 560	138 846	294 850	(3 387)	3 946	-	2 219 758
Wholesale and retail	3 380 556	(370 776)	8 333	73 192	65 948	(22 649)	3 705	-	507 631
Tourism	1 424 044	(121 920)	5 705	17 912	24 203	(523)	-	-	125 140
Transports and communications	2 174 418	(70 276)	184 269	63 779	259 894	(5 683)	15 841	-	1 112 173
Financial activities	4 602 509	(220 219)	661 849	1 492 033	2 575 173	(117 749)	1 076 580	(8 808)	258 005
Real estate activities	5 627 216	(616 989)	17 675	125 439	121 155	(4 177)	1 304	-	265 482
Services provided to companies	5 098 084	(469 163)	228 639	95 886	735 571	(37 800)	64 272	-	1 342 690
Public services	1 594 188	(25 454)	960 428	1 234 847	4 099 798	(1 973)	437 777	-	196 168
Non-profit organisations	3 459 283	(288 679)	24 109	56 888	393 811	(47 602)	77 470	(4 613)	463 271
Mortgage loans	10 814 726	(185 863)	-	-	4 902	-	-	-	6
Consumer loans	2 547 855	(208 886)	-	-	2 667	-	-	-	239 263
Other	795 371	(10 178)	971	286	7 433	(3 257)	-	-	8 555
TOTAL	**52 716 742**	**(3 446 075)**	**2 488 465**	**3 564 118**	**9 247 823**	**(318 045)**	**1 685 489**	**(13 421)**	**8 031 816**

	31.12.2012								
	Loans and advances to customers		Financial assets held for trading	Other financial assets as at fair value through profit or loss	Available-for-sale financial assets		Held to maturity investments		Financial guarantees issued
	Gross amount	Impairment losses			Gross amount	Impairment losses	Gross amount	Impairment losses	
	(in thousands of euro)								
Agriculture	434 485	(27 152)	14 202	-	10 725	(6)	-	-	36 677
Mining	309 229	(11 966)	3 742	11 708	12 969	(675)	-	-	53 656
Food, beverage and tobacco	1 028 563	(50 542)	25 727	2 685	10 560	(52)	-	-	103 345
Textiles	332 226	(33 316)	862	-	10 425	(3 958)	-	-	14 833
Shoes	63 359	(6 843)	38	-	499	(499)	-	-	2 063
Wood and cork	147 345	(23 121)	480	2 236	4 366	(1 330)	-	-	7 466
Printing and publishing	331 889	(15 601)	6 683	-	11 968	(11 968)	-	-	84 260
Refining and oil	6 976	(45)	4 817	3 385	24 939	(12 322)	-	-	5 425
Chemicals and rubber	616 899	(14 149)	20 744	1 471	24 009	(13 276)	-	-	102 280
Non-metalic minerals	363 449	(28 435)	431	-	13 103	(7 958)	-	-	20 152
Metalic products	913 642	(50 197)	14 592	194	2 499	-	-	-	156 525
Production of machinery, equipment and electric devices	284 716	(11 883)	3 079	584	31 249	(5 724)	1 526	-	120 022
Production of transport material	113 698	(9 677)	630	11 055	36 299	(3 438)	-	-	34 662
Other transforming industries	389 355	(27 340)	1 611	2 865	54 790	(11 280)	-	-	38 449
Electricity, gas and water	1 475 462	(11 034)	155 360	24 712	703 231	-	4 243	-	527 890
Construction	5 337 689	(381 893)	416 606	57 643	27 858	(1 688)	-	-	2 459 038
Wholesale and retail	3 270 510	(290 235)	10 810	1 366	35 267	(15 430)	1 537	-	577 400
Tourism	1 453 763	(91 596)	15 324	65 301	39 674	(485)	-	-	121 896
Transports and communications	2 168 980	(49 779)	291 250	18 593	307 936	(9 386)	20 945	-	1 032 239
Financial activities	4 691 491	(123 507)	1 052 978	1 693 028	3 692 898	(71 415)	578 140	(20 794)	258 326
Real estate activities	6 293 486	(431 611)	52 371	70 000	201 741	(1 891)	1 299	-	456 531
Services provided to companies	4 959 436	(375 582)	345 263	91 424	1 158 903	(33 197)	39 139	-	1 503 039
Public services	954 941	(22 959)	1 408 962	516 859	4 498 007	(1 984)	404 392	-	227 198
Non-profit organisations	3 432 597	(268 571)	133 248	26 391	369 680	(46 089)	106 937	(18 317)	402 493
Mortgage loans	11 133 822	(169 114)	-	-	-	-	-	-	9
Consumer loans	2 778 244	(197 344)	209	-	-	-	-	-	70 704
Other	141 252	(11 134)	1 826	1 963	11 781	(90)	-	-	11 378
TOTAL	**53 427 504**	**(2 734 626)**	**3 981 845**	**2 603 463**	**11 295 376**	**(254 141)**	**1 158 158**	**(39 111)**	**8 427 956**

(Amounts expressed in thousands of euro, except when indicated)

As at 31 December 2013 and 2012, the analysis of the loan portfolio by rating is as follows:

Rating/Scoring models	Internal scale (1)	31.12.2013		31.12.2012	
		Credit amount (in million of euro)	(%)	Credit amount (in million of euro)	(%)
Large companies	[aaa;a-]	8	0.02%	8	0.01%
	[bbb+;-bbb-]	2 119	4.02%	2 313	4.33%
	[bb+;bb-]	4 549	8.63%	4 997	9.35%
	[b+;b-]	7 074	13.42%	8 080	15.12%
	ccc+	1 981	3.76%	1 277	2.39%
Medium enterprises	8-9	488	0.93%	535	1.00%
	10-11	403	0.76%	532	1.00%
	12-13	553	1.05%	632	1.18%
	14-15	467	0.89%	438	0.82%
	16-17	502	0.95%	567	1.06%
	18-19	380	0.72%	342	0.64%
	20-21	468	0.89%	347	0.65%
	22-23	231	0.44%	294	0.55%
	24-25	1 527	2.90%	1 659	3.11%
Small enterprises	A	62	0.12%	71	0.13%
	B	334	0.63%	305	0.57%
	C	556	1.05%	620	1.16%
	D	268	0.51%	311	0.58%
	E	137	0.26%	251	0.47%
	F	556	1.05%	557	1.04%
Mortgage loans	01	1 220	2.31%	1 196	2.24%
	02	4 398	8.34%	4 341	8.12%
	03	1 427	2.71%	1 492	2.79%
	04	680	1.29%	710	1.33%
	05	506	0.96%	503	0.94%
	06	496	0.94%	488	0.91%
	07	617	1.17%	679	1.27%
	08	712	1.35%	953	1.78%
Private individuals	01	74	0.14%	86	0.16%
	02	57	0.11%	66	0.12%
	03	118	0.22%	130	0.24%
	04	238	0.45%	312	0.58%
	05	118	0.22%	136	0.25%
	06	170	0.32%	198	0.37%
	07	149	0.28%	144	0.27%
	08	132	0.25%	109	0.20%
	09	183	0.35%	260	0.49%
	10	2	-	4	0.01%
No internal rating / scoring loans		18 757	35.59%	17 485	32.77%
TOTAL ESFG		**52 717**	**100.00%**	**53 428**	**100.00%**

(1) Internal scale established by the Group. The lower the number / letter the better is the rating

Market Risk
Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates or share prices, commodities prices, volatility and credit spread.

The market risk management is integrated with the balance sheet management through the Asset and Liability Committee (ALCO) at the Group entities level. These committees are responsible for defining policies for the structuring and composition of the balance sheet, and for the control of exposures to interest rate, foreign exchange and liquidity risk.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk (VaR) valuation criteria is used. Group's VaR model uses the Monte Carlo simulation, based on a confidence level of 99% and an investment period of 10 days. Volatilities and correlations are historical, based on an observation period of one year. As a complement to VaR, stress testing has been developed, allowing to evaluate the impact of potential losses higher than the ones considered by VaR.

	31.12.2013				31.12.2012			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
	(in million of euro)							
Exchange risk	11 166	9 192	10 957	7 371	3 399	11 272	13 723	3 399
Interest rate risk	5 532	7 108	9 342	5 566	8 793	18 426	28 532	8 793
Shares & Commodity	11 186	12 640	21 441	10 538	15 026	14 439	11 127	15 026
Volatility	3 055	5 817	4 089	2 857	7 112	7 222	7 173	7 112
Credit Spread	16 775	23 944	33 893	16 941	13 887	40 212	71 556	13 887
Diversification effect	(10 901)	(11 023)	(14 773)	(8 725)	(10 105)	(17 030)	(20 347)	(10 105)
	36 813	**47 678**	**64 949**	**34 548**	**38 112**	**74 541**	**111 764**	**38 112**

Group has a VaR of euro 36 813 million (31 December 2012: euro 38 112 million), for its trading positions.

Interest rate risk
Following the recommendations of Basel II (Pilar 2) and Instructions n.19/2005, of the Bank of Portugal, ESFG Group calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlement (BIS), which requires the classification of non-trading balances and off-balance positions by repricing intervals.

	31.12.2013						
	Elegible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
	(in thousands of euro)						
Cash and deposits	7 803 747	378 077	7 141 183	220 889	44 638	5 347	13 613
Loans and advances to customers	51 517 355	-	31 911 560	8 340 164	2 024 753	6 615 448	2 625 430
Securities	15 117 818	6 075 017	3 279 501	1 161 017	844 262	1 062 751	2 695 270
Total			**42 332 244**	**9 722 070**	**2 913 653**	**7 683 546**	**5 334 313**
Deposits from banks	14 644 160	-	12 918 444	387 797	623 991	264 750	431 177
Due to customers	37 542 530	-	18 849 106	3 424 050	6 711 979	8 521 832	35 563
Debt securities issued and subordinated deb	13 864 423	-	2 955 365	1 901 308	389 806	4 789 515	3 837 429
Preference shares	31 367	-	-	-	-	-	31 367
Total			**34 728 915**	**6 520 188**	**7 716 777**	**16 234 375**	**5 285 620**
GAP - Assets/Liabilities	(2 482 049)		7 611 329	3 201 882	(4 793 124)	(8 550 829)	48 693
Off Balance sheet			(8 473 342)	(1 271 569)	6 120 832	3 703 511	(92 400)
Structural GAP	(2 495 016)		(862 013)	1 930 314	1 327 708	(4 847 318)	(43 707)
Accumulated GAP			(862 013)	1 068 301	2 396 009	(2 451 309)	(2 495 016)

	31.12.2012						
	Elegible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
	(in thousands of euro)						
Cash and deposits	7 126 870	439 394	6 112 706	404 851	101 370	59 963	6 396
Loans and advances to customers	52 582 265	-	30 988 761	9 638 711	2 736 210	6 509 111	2 709 432
Securities	17 050 165	7 395 022	3 853 254	1 429 962	1 055 477	2 013 160	1 300 310
Total			**40 954 701**	**11 473 524**	**3 893 057**	**8 582 234**	**4 016 138**
Deposits from banks	15 092 784	-	14 135 741	333 694	648 472	284 371	240 506
Due to customers	35 114 203	-	23 325 508	2 989 078	3 066 320	5 713 713	19 584
Debt securities issued and subordinated deb	16 773 167	-	5 276 652	937 607	279 880	6 508 524	3 772 494
Preference shares	55 978	-	-	-	-	-	55 978
Total			**42 787 911**	**4 460 379**	**3 994 672**	**12 506 608**	**4 088 562**
GAP - Assets/Liabilities	1 086 542		(1 833 210)	7 013 145	(94 615)	(3 924 374)	(72 404)
Off Balance sheet			(6 114 471)	(751 350)	509 366	6 289 980	66 475
Structural GAP	1 086 542		(7 947 681)	6 261 795	412 751	2 365 606	(5 929)
Accumulated GAP			(7 947 681)	(1 685 886)	(1 273 135)	1 092 471	1 086 542

The sensitivity of ESFG Group to interest rate risk, measured in accordance with Instruction no. 19/2005 of the Bank of Portugal, which requires the calculation of the impact of a parallel shift of 200 basis points in the interest rate curve, can be analysed as follows:

	31.12.2013	31.12.2012
	(in million of euro)	
Accumulated impact in equity:		
Increase of 200 basis points	(96)	(65)
Decrease of 200 basis points	96	65

In addition, the model used to monitor the sensitivity of BES Group to interest rate risk is based on the duration model, and consider parallel and non parallel scenarios.

	31.12.2013				31.12.2012			
	Parallel increase of 100 bp	Parallel decrease of 100bp	Increase of 50 bp after 1 year	Decrease of 50 bp after 1 year	Parallel increase of 100 bp	Parallel decrease of 100bp	Increase of 50 bp after 1 year	Decrease of 50 bp after 1 year
	(in million of euros)							
At 31 December	(22)	22	(1)	1	(85)	85	(34)	34
Average for the year	(80)	80	(24)	24	(22)	22	(1)	1
Maximum for the year	(110)	110	(38)	38	(125)	125	60	(60)
Minimum for the year	(71)	71	(21)	21	13	(13)	22	(22)

The following table presents the average balances, interest and interest rates in relation to the Group's major assets and liabilities categories, for the years ended 31 December 2013 and 2012.

	31.12.2013			31.12.2012		
	Average balance of the year	Interest of the year	Average interest rate	Average balance of the year	Interest of the year	Average interest rate
	(in thousands of euro)					
Monetary assets	9 833 442	269 980	2.75%	8 949 524	196 774	2.20%
Loans and advances to customers	103 634 293	2 445 378	2.36%	104 771 572	2 683 469	2.56%
Securities	28 725 539	704 748	2.45%	29 042 776	866 614	2.98%
Financial assets	**142 193 274**	**3 420 106**	**2.41%**	**142 763 872**	**3 746 857**	**2.62%**
Monetary liabilities	30 970 140	342 599	1.11%	35 504 430	422 556	1.19%
Due to costumers	74 431 667	1 020 792	1.37%	69 007 319	1 039 585	1.51%
Other financial liabilities	29 510 815	964 220	3.27%	34 951 702	1 019 495	2.92%
Other	3 092 195	-	-	1 281 892	-	-
Financial liabilities	**138 004 817**	**2 327 611**	**1.69%**	**140 745 343**	**2 481 636**	**1.76%**
Net interest income		**1 092 495**	**0.72%**		**1 265 221**	**0.86%**

Foreign Exchange risk

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2013 and 2012, is analysed as follows:

		31.12.2013				31.12.2012			
		Spot	Forward	Other elements	Net exposure	Spot	Forward	Other elements	Net exposure
		(In thousands of euro)							
USD	United States Dollars	384 142	(467 092)	69 054	(13 896)	(758 046)	742 785	99 049	83 788
GDP	Great Britain Pounds	504 707	(491 941)	855	13 621	473 884	(472 979)	(970)	(65)
BRL	Brazilian real	149 020	(148 191)	(218)	611	187 801	(183 686)	(4 738)	(623)
DKK	Danish krone	3 191	(3 278)	-	(87)	21 947	(21 579)	-	368
JPY	Japanese yene	(13 404)	18 623	(16 883)	(11 664)	27 819	6 506	(40 166)	(5 841)
CHF	Swiss franc	173 052	(54 951)	(20 873)	97 228	81 444	(1 357)	(10 475)	69 612
SEK	Swedish krona	(13 232)	13 203	-	(29)	7 403	(7 778)	(53)	(428)
NOK	Norwegian krone	(43 087)	43 156	-	69	(49 539)	49 807	69	337
CAD	Canadian Dollar	(1 048)	11 728	-	10 680	22 866	(23 290)	(7 227)	(7 651)
ZAR	Rand	(14 340)	14 287	-	(53)	(5 569)	4 475	497	(597)
AUD	Australian Dollar	(2 022)	2 760	-	738	(8 510)	10 124	17	1 631
AOA	Kwanza	(156 583)	-	-	(156 583)	(53 208)	-	-	(53 208)
CZK	Czech koruna	105	-	-	105	5	-	-	5
MXN	Peso Mexican	42 900	(43 878)	-	(978)	63 789	(75 772)	9 338	(2 645)
	Other	(63 833)	35 932	26 084	(1 817)	(26 351)	121 789	26 297	121 735
		949 568	(1 069 642)	58 019	(62 055)	(14 265)	149 045	71 638	206 418

Note: asset / (liability)

Exposure to peripheral Eurozone countries public debt

As at 31 December 2013 and 2012 the exposure to public debt from peripheral Eurozone countries which are monitored by the Group is analysed as follows:

	31.12.2013					
	Loans and advances to customers	Financial assets held for trading and at fair value	Derivative instruments (1)	Available-for-sale financial assets	Held-to-maturity investments	Total
	(in thousands of euro)					
Portugal	913 897	1 310 228	18 652	2 190 606	145 167	4 578 550
Spain	92 786	60 312	(47)	525 101	-	678 152
Greece	-	725	-	29 451	-	30 176
Ireland	-	-	-	-	2 724	2 724
Italy	-	10 402	-	160 409	-	170 811
	1 006 683	**1 381 667**	**18 605**	**2 905 567**	**147 891**	**5 460 413**

(1) Net amounts: receivable/(payable)

31.12.2012

	Loans and advances to customers	Financial assets held for trading at fair value	Derivative instruments [1]	Available-for-sale financial assets	Held-to-maturity investments	Total
			(in thousands of euro)			
Portugal	935 771	593 850	31 143	2 519 596	220 041	4 300 401
Spain	111 121	568	(76)	608 278	-	719 891
Greece	-	3 439	-	-	-	3 439
Ireland	-	-	-	-	27 483	27 483
Italy	-	7 926	-	21 399	-	29 325
	1 046 892	**605 783**	**31 067**	**3 149 273**	**247 524**	**5 080 539**

(1) Net amounts: receivable/(payable)

All the exposures presented above, except loans and advances to customers, are recorded in the Group's balance sheet at fair value, which is based on market quotations or, in relation to derivatives, based on valuation techniques with observable market data. Loans and advances to customers are recorded at amortized cost net of impairment losses.

A detailed exposure regarding securities recorded in available-for-sale financial assets, financial assets held for trading and held-to-maturity investments can be analysed as follows:

(in thousands of euro)

	31.12.2013					
	Nominal Amount	Market value	Accrued interest	Book value	Impairment	Fair value reserve
Available-for-sale financial assets						
Portugal	**2 294 141**	**2 134 526**	**56 080**	**2 190 606**	**-**	**(2 416)**
Maturity up to 1 year	252 551	251 119	56	251 175	-	225
Maturity exceeding 1 year	2 041 590	1 883 407	56 024	1 939 431	-	(2 641)
Spain	**498 655**	**515 385**	**9 716**	**525 101**	**-**	**(676)**
Maturity up to 1 year	250 500	249 711	2	249 713	-	171
Maturity exceeding 1 year	248 155	265 674	9 714	275 388	-	(847)
Greece	**53 003**	**28 552**	**899**	**29 451**	**-**	**938**
Maturity exceeding 1 year	53 003	28 552	899	29 451	-	938
Italy	**160 000**	**159 991**	**418**	**160 409**	**-**	**709**
Maturity up to 1 year	150 000	149 490	211	149 701	-	332
Maturity exceeding 1 year	10 000	10 501	207	10 708	-	377
	3 005 799	**2 838 454**	**67 113**	**2 905 567**	**-**	**(1 445)**
Financial assets held for trading						
Portugal	100 127	94 591	1 959	96 550	-	-
Spain	45 114	50 674	2 338	53 012	-	-
	145 241	**145 265**	**4 297**	**149 562**	**-**	**-**
Financial assets at fair value through profit or loss						
Portugal	1 244 006	1 207 129	6 549	1 213 678	-	-
Spain	7 290	7 291	9	7 300	-	-
Greece	1 219	705	20	725	-	-
Italy	10 400	10 402	-	10 402	-	-
	1 262 915	**1 225 527**	**6 578**	**1 232 105**	**-**	**-**
Held-to-maturity investments						
Portugal	157 440	156 731	2 131	145 167	-	-
Ireland	3 000	3 245	97	2 724	-	-
	160 440	**159 976**	**2 228**	**147 891**	**-**	**-**

(in thousands of euro)

	31.12.2012					
	Nominal Amount	Market value	Accrued interest	Book value	Impairment	Fair value reserve
Available-for-sale financial assets						
Portugal	**2 720 736**	**2 471 421**	**48 175**	**2 519 596**	-	**191 382**
Maturity up to 1 year	195 431	194 133	249	194 382	-	485
Maturity exceeding 1 year	2 525 305	2 277 288	47 926	2 325 214	-	190 897
Spain	**618 792**	**600 096**	**8 182**	**608 278**	-	**2 208**
Maturity up to 1 year	389 350	383 681	325	384 006	-	796
Maturity exceeding 1 year	229 442	216 415	7 857	224 272	-	1 412
Greece	**53 003**	**28 552**	**899**	**29 451**	-	**938**
Maturity exceeding 1 year	53 003	28 552	899	29 451	-	938
Italy	**20 100**	**20 975**	**424**	**21 399**	-	**478**
Maturity exceeding 1 year	20 100	20 975	424	21 399	-	478
	3 412 631	**3 121 044**	**57 680**	**3 178 724**	-	**195 006**
Financial assets held for trading						
Portugal	158 946	141 676	3 807	145 483	-	-
Spain	304	302	-	302	-	-
Italy	1 656	1 667	34	1 701	-	-
	160 906	**143 645**	**3 841**	**147 486**	-	-
Financial assets at fair value through profit or loss						
Portugal	524 625	440 395	7 972	448 367	-	-
Spain	260	259	7	266	-	-
Greece	129 655	3 439	-	3 439	-	-
Italy	5 969	6 224	1	6 225	-	-
	660 509	**450 317**	**7 980**	**458 297**	-	-
Held-to-maturity investments						
Portugal	239 640	216 703	3 338	220 041	-	-
Ireland	27 000	26 542	941	27 483	-	-
	266 640	**243 245**	**4 279**	**247 524**	-	-

Liquidity risk

Liquidity risk derives from the potential inability to fund assets while satisfying the maturity dates of commitments and from potential difficulties in liquidating portfolio positions without incurring excessive losses.

Liquidity risk can be divided into two types:

- Asset liquidity (market liquidity risk) — The inability to sell a particular asset due to lack of liquidity in the market, which results in increasing the bid / offer spread or applying a haircut to market value;
- Funding (funding liquidity risk) — The inability to, within the desired timeframe and currency, fund assets in the market and / or refinance debt that comes due. This inability can be reflected by a significant increase of financing cost or of collateral requirements in order to obtain funds. Difficulties of (re) financing can lead to asset sales, even incurring in significant losses. The risk of (re) financing should be minimized through adequate diversification of funding sources and maturities.

During 2013, the market sentiment continued to improve, with the reduction in the aversion risk levels and in the sovereign debt yields of the peripheral countries supported in expansionist policies from central banks, although there have been some political instability events during the year. In Portugal, the economic indicators have improved, with the beginning of an economic recovery cycle. In December the Republic accessed the markets for a switch operation of Treasury Bills and in January with a new five years issue of euro 3 250 million.

During the year, a significant number of banks have reimbursed the LTRO (Long Term Refinacing Operation) granted in December 2011, in the amount of approximately euro 446 000 million. The Group has repaid in advance euro 1 000 million under this facility.

In order to take advantage of the favourable conditions, the Group accessed the international capital markets in the beginning of the year with a senior debt issuance, not guaranteed, with a 5 years maturity, in the amount of euro 500 million, anticipating part of the reimbursements occurring during the year (euro 1.6 billion). In November the Group issued subordinated debt in the amount of euro 750 million. These issues, combined with a good performance in the client's deposits and the reduction of the loan's portfolio, allowed the Group to face the reimbursements of 2013, rebuy debt and reduce the ECB financing. Taking advantage of the improvement in the economic sentiment, in January 2014, the Group issued a 5 years debt in the amount of euro 750 million, with a 4% coupon, which corresponds to a 285 b.p. spread over the 5 years mid-swap rate. This level of placement was equal to the 5 years issue conducted in 2009.

At year end, assets eligible as collateral for rediscount operations were euro 20.9 billion, of which euro 18.6 billion were eligible at the European Central Bank.

In order to evaluate the global exposition to liquidity risk, reports have been prepared which permit not only the identification of negative mismatches, but also lead to the coverage of these situations.

(Amounts expressed in thousands of euro, except when indicated)

The following tables present details of the mismatch in the residual terms for each of the main categories of assets and liabilities:

	31.12.2013						
	Eligible amounts	Up to 7 days	From 7 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year
	(In million of euro)						
ASSETS							
Cash and deposits with banks	378	378	-	-	-	-	-
Loans and advances to banks and central banks	7 211	6 647	209	104	162	47	43
Loans and advances to customers	44 619	621	2 075	1 841	1 684	2 198	36 200
Securities*	21 455	231	382	1 924	1 110	1 930	15 877
Other assets, net	1 882	705	-	68	4	123	982
Off-balance sheet items (Commitments and Derivatives)	2 361	78	220	823	383	536	320
Total		**8 660**	**2 886**	**4 760**	**3 343**	**4 834**	**53 422**
LIABILITIES							
Deposits from banks, central banks and other loans	14 921	1 684	687	916	196	914	10 522
Due to customers	39 062	2 559	576	796	534	934	33 665
Debt securities issued	14 048	29	70	1 551	2 013	608	9 776
Other short-term liabilites	1 390	1 310	3	26	2	11	38
Off-balance sheet items (Commitments and Derivatives)	10 365	116	306	959	486	552	7 946
Total		**5 698**	**1 642**	**4 248**	**3 231**	**3 019**	**61 947**
GAP (Assets - Liabilities)		**2 962**	**1 244**	**512**	**112**	**1 815**	
Accumulated GAP		**2 962**	**4 206**	**4 718**	**4 830**	**6 645**	
Buffer > 12 months							**2 127**

* This caption includes securities held by the Group which can be rediscounted with the ECB for liquidity purposes

	31.12.2012						
	Eligible amounts	Up to 7 days	From 7 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year
	(In million of euro)						
ASSETS							
Cash and deposits with banks	420	420	-	-	-	-	-
Loans and advances to banks and central banks	6 381	5 583	235	243	204	81	35
Loans and advances to customers	46 770	1 044	1 813	2 161	1 847	2 742	37 163
Securities*	21 727	340	921	1 983	794	1 299	16 390
Other assets, net	1 851	1 829	-	5	1	-	16
Off-balance sheet items (Commitments and Derivatives)	6 574	313	139	268	455	513	4 886
Total		**9 529**	**3 108**	**4 660**	**3 301**	**4 635**	**58 490**
LIABILITIES							
Deposits from banks, central banks and other loans	16 181	2 097	537	717	479	778	11 573
Due to customers	35 632	857	960	2 244	747	171	30 653
Debt securities issued	17 289	184	561	2 021	1 069	488	12 966
Other short-term liabilites	1 635	1 607	-	12	4	-	12
Off-balance sheet items (Commitments and Derivatives)	10 192	329	201	417	624	520	8 101
Total		**5 074**	**2 259**	**5 411**	**2 923**	**1 957**	**63 305**
GAP (Assets - Liabilities)		**4 455**	**849**	**(751)**	**378**	**2 678**	
Accumulated GAP		**4 455**	**5 304**	**4 553**	**4 931**	**7 609**	
Buffer > 12 months							**700**

* This caption includes securities held by the Group which can be rediscounted with the ECB for liquidity purposes

The table reflects the amounts of assets, liabilities and off-balance sheet items with defined or determinate cash-flows classified by the period to maturity. In the event that no maturity is defined (such as for deposits, overdrafts, current accounts and commitments with third parties), the Group used a behaviour model based on historical information, which reflects the expected maturity of the cash flows. For deposits with stated maturities, the Group also used a behaviour model to estimate expected maturity.

The one year cumulative gap went from euro 7 609 million in December 2012 to euro 6 645 million as of December 2013.

Additionally, and in accordance with Instruction 13/2009 of the Bank of Portugal, the liquidity gap is defined by the indicator [(Net Assets - Volatile Liabilities) / (Assets - Net assets) * 100] on each residual cumulative maturity scale. Net assets include cash and net securities and volatile liabilities include debt issued, commitments, derivatives and other liabilities. This indicator allows a characterization of the wholesale risk of institutions.

As at 31 December 2013, the one year liquidity gap was -0.6, which compares to -3.1 from the same period last year.

It may be noted that the above liquidity gap figures, calculated in accordance with the determinations of Instruction 13/2009 of the Bank of Portugal, do not include the Group's insurance companies, whose activity is regulated by the Portuguese Insurance Institute.

In order to anticipate possible negative impacts to liquidity, ESFG considers different stress scenarios (moderate and severe) in terms of liquidity, different time frames and different types of impact (systemic, Group specific or combined). For example, in the systemic scenario, closure of the wholesale markets is simulated, while in the scenario specific to the Group, a run off of customer deposits from retail and non-retail is simulated, with different levels of severity.

From 1 January 2014 is in force the CRD/CRR, under the Basel III framework. In what concerns Liquidity Risk, the highlights are the mandatory requirements regarding the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). As at 31 December 2013, the Group had met the ratio the limit set for 2015 in what concerns LCRA. In January the Bank of International Settlements published a document in connection with the NSFR calculation review. The Group continues to follow every legislative change in order to comply with its regulatory obligations.

Operational risk

Operational risk represents the risk of losses resulting from failures in internal procedures, people behaviours, information systems and external events.

To manage operational risk, it was developed and implemented a system that standardises, systematises and regulates the frequency of actions with an objective of identification, monitoring, controlling and mitigation of risk. The system is supported at organizational level by a unit within the Global Risk Department of BES, exclusively dedicated to this task, and by representatives designated by each of the relevant departments and subsidiaries.

Insurance risk

Insurance risk – inherent risk related to the selling of insurance contracts, underwriting policy, pricing, reserving, claims management and reinsurance arrangements.

Pricing is based on actuarial methodologies, revised on a regular basis in order to ensure a rigorous policy underwriting and risk acceptance.

Risks underwritten that require selective acceptance are analysed centrally. Evidence of the underwriting conditions and identification of the decision maker are required.

The technical reserves, specifically the claims reserves, are analysed on a monthly basis. The adequacy of the insurance liabilities is reviewed on a regular basis. Regarding the evaluation of reserves, new models are being developed internally by the Group's Insurance companies based on stochastic methodologies.

The table below reflects the claims reserves development, excluding pensioners arising out from workers compensation claims:

(in thousands of euro)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Initial estimate of claims liabilities	305 512	328 733	363 800	375 014	394 397	397 996	395 038	380 242	360 863	345 377	305 238
Cumulative payments											
One year later	106 724	91 174	105 504	100 096	98 779	95 712	98 241	100 636	90 781	91 466	
Two years later	149 681	141 526	157 627	145 308	135 925	129 339	130 042	129 721	122 006		
Three year later	185 956	176 790	191 998	171 505	160 955	151 151	150 003	152 241			
Four years later	213 367	201 716	213 580	192 108	177 757	166 142	167 547				
Five year later	235 135	220 093	230 853	206 571	189 563	180 263					
Six years later	250 333	233 869	244 762	216 254	201 297						
Seven years later	262 243	243 757	253 229	226 131							
Eight years later	269 575	250 265	261 492								
Nine years later	274 911	255 924									
Ten years later	279 695										
Re-estimated claims liabilities											
One year later	327 363	338 836	354 407	366 449	366 560	371 201	352 690	351 804	317 106	290 364	
Two years later	334 297	334 918	356 147	348 138	349 376	331 652	327 754	311 228	274 997		
Three year later	332 408	333 196	354 218	338 431	316 055	316 347	294 322	279 471			
Four years later	331 075	339 341	352 070	311 532	311 642	290 304	272 645				
Five year later	343 336	336 647	331 796	313 127	290 264	272 225					
Six years later	340 872	323 690	334 384	295 603	275 312						
Seven years later	335 816	327 291	319 336	284 072							
Eight years later	341 335	313 502	312 892								
Nine years later	328 545	305 675									
Ten years later	322 396										
Cumulative surplus/(deficit)	(16 884)	23 058	50 908	90 942	119 085	125 771	122 392	100 771	85 866	55 013	

Longevity risk covers the uncertainty in the ultimate loss due to policyholders living longer than expected and can arise for example, in annuity portfolios within the life Insurance and workmen's compensation portfolios within non-life insurance.

Longevity risk is managed through pricing, underwriting policy and by regularly reviewing the mortality tables used for pricing and establishing reserves. Where longevity is found to be improving faster than assumed in the mortality tables additional reserves are established and mortality tables are updated.

Any adjustments resulting from changes in reserves estimates are reflected in current results of operations. However, because the establishment of claims reserves is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims reserves, and this risk is covered by the additional solvency capital.

(Amounts expressed in thousands of euro, except when indicated)

Regarding life line of business, the main actuarial assumptions defined in each contract, are as follows:

	Mortality Table	Technical rate
Retirements savings plans and capitalization products		
Up to December 1997	GKM 80	4%
From January 1998 to February 1999	GKM 80	3.25%
From July 1999 to February 2003	GKM 80	2.25% and 3%
From Mars 2003 to December	GKM 80	2.75%
After January 2004	GKM 80	Set per calendar year (*)
Insurance in case of life		
Rents		
Up to June 2002	TV 73/77	4%
From July 2002 to December 2003	TV 73/77	3%
From January 2004 to August 2006	GKF 95	3%
After January 2004	GKM - 3 years	2%
Other insurance		
Insurance in case of death		
Up to December 2004	GKM 80	4%
After January 2005	GKM 80	0% to 2%
Insurance mixed		
Up to September 1998	GKM 80	4%
After October 1998	GKM 80	3%

(*) In 2013 the technical rate was 3% (2012: 2%)

For liability adequacy test purposes of the life business the mortality assumptions are based on best estimates derived from portfolio experience investigations. Future cash flows are evaluated and discounted at government bonds rate.

The main mortality assumptions are as follows:

	Mortality Table
Annuities	GRM 95
Savings and other contracts	30% GKM 80

For liability adequacy test purposes, the calculation of the present value of Workmen's Compensation mathematical reserves was performed with the mortality table TV 73/77 (2012: TV 73/77) and risk free rate.

The maximum risk exposure per event after reinsurance and after deductibles per segment and product line is summarised below:

Line of business	Type of reinsurance	Net retention	Maximum treaty liability
		(in thousands of euro)	
Personal Accident (Credit Protection)	Quota Share	-	100%
Personal Accident	Excess Of Loss	300	14 700
Workers Compensation	Excess Of Loss	500	39 500
Motor - Third Party Legal Liability	Excess Of Loss	1 000	49 000
Motor - Own Damage	Excess Of Loss	1 000	14 000
Bonds - Bonds	Quota Share	20%	400
Bonds - Fidelity	Quota Share	20%	200
Engineering	Proportional	1 250	13 750
Fire /M.Risk/Lop (Simple Risks)	Proportional	1 000	20 000
Fire /M.Risk/Lop(Condominium)	Proportional	1 000	35 000
Fire /M.Risk/Lop(Comm&Indust Risks)	Proportional	1 000	40 000
Fire /M.Risk/Lop - Cat Cover	Excess Of Loss	15 000	165 000
Fire /M.Risk/Lop - XOL Cover	Excess Of Loss	2 000	8 000
Fire /M.Risk/Lop - XOL Aggregate Cover	Excess Of Loss	250 AAL 1 000	1 750
Property Stop Loss	Excess Of Loss	105% of NEP	7 500
General Third Party Liability	Excess Of Loss	150	4 850
Environmental Liability	Quota Share	20%	250
Director'S Liability Art 396	Quota Share	20%	250
Marine Hull	Proportional	250	5 000
Marine Hull- Fleets	Proportional	325	6 500
Marine Cargo	Proportional	200	4 600
Marine Cargo & Hull - Xol Cover	Excess Of Loss	400	3 500
Health – Dread Illness	Quota Share	20%	80%
Health – Medical Expenses	Excess Of Loss	25	325
Assistence	Quota Share	-	100%
Life - Mortgage	Proportional	75 / 100	1000
Life - Group	Proportional	75 / 100	1000
Life - Individual Credit	Proportional	75 / 100	1000
Life - Mortgage 2.0	Proportional	100	1000
Life - Natural Disasters	Excess Of Loss	1000	10 000 per disaster
Life - Working Cover	Excess Of Loss	100	1 500 per event
Life - Credit Protection	Quota Share	-	100%
Life - Assistence	Quota Share	-	100%

Capital Management and Solvency Ratio

The main goals of capital management are (i) to allow adequate growth of activities through the generation of enough capital to support the increase of assets, (ii) fulfilment of the minimum capital adequacy requirements as defined by the supervisory authorities and (iii) to ensure the fulfilment of the Group's strategic goals with respect to capital adequacy.

The strategy for capital adequacy management is determined by the Executive Committee and is integrated into the strategic goals of the Group.

The capital metrics are incorporated in the main management control instruments and monitoring is undertaken frequently, thus permitting a quick response to fulfil the defined goals.

The Group is subject to prudential supervision by the Bank of Portugal which, in accordance with the Capital Adequacy Directive of the EU, establishes the prudential rules to be observed by the institutions under its supervision. These rules determine a minimum ratio of Own funds to Capital requirements of risks assumed, which institutions are required to fulfill.

Within the implementation of the Basel II capital accord and in accordance with Decree-Law 103/2007 and Decree-Law 104/2007, the Group was authorized to employ, as from 31 March 2009, the Internal Rating Based Foundation Approach – IRBF for credit risk and the Standardized Approach – TSA for operational risk.

The capital elements of ESFG are divided into: Core Tier I, Tier I, Tier II and Deductions, as follows:

- Core Tier I: This category includes share capital, share premiums, eligible reserves, the certified net profit to be retained for the year and non-controlling interests. The fair value reserves are excluded except for deduction of negative fair value reserves associated with shares or other equity instruments; additionally, deductible from Core Tier I are the balance sheet amounts referring to goodwill, intangible assets, actuarial losses (above the prudential corredor) arising from responsibilities for post-employment benefits to employees and, where applicable, the net loss for the period. Excess Large exposures above a base amount set by the Bank of Portugal are also deducted.
- Tier I: In addition to the amounts considered as Core Tier I, this category includes preference shares and hybrid capital instruments. Alternatively, half of: (i) investments of above 10% of the capital of financial and insurance institutions; (2) investments of below 10% of the capital of financial and insurance institutions above a given limit; and the difference between the expected loss calculated on exposures subject to IRBF treatment and the corresponding loss provisions, are deducted from Tier I.
- Tier II: Essentially incorporates the eligible subordinated debt and 45% of the positive fair value reserve associated with equity securities. The other half of the amounts deducted 50% from Tier I are deducted from Tier II.
- Deductions: The base amount of excess Large exposures are deducted here as well as prudential amortization of assets received in the recovery of non-performing loans.

The prudential rules determine, additionally, that the Tier II cannot exceed Tier I and that a component of Tier II (known as Lower Tier II) cannot exceed 50% of overall Tier II.

In December 2008, the Bank of Portugal issued Notice 11/2008 which established a transition period of four years, from December 2009 to December 2012, for the recognition of the actuarial gains/losses determined in 2008. This transition period ended in December 2012.

In May 2011 and in the context of the negotiation of the Financial Assistance Programme to Portugal – with the European Commission, the European Central Bank and the International Monetary Fund – the Bank of Portugal issued Notice 3/2011, establishing new minimum levels of solvency to be observed by financial groups subject to its supervision. It determined that Portuguese credit institutions reach a Core Tier I ratio of no less than 9% by 31 December 2011 and 10% by 31 December 2012.

At the same time, the European Banking Authority (EBA), using somewhat different criteria for Own funds and Capital requirements determined that European banks must reach a Core Tier I ratio of 9% by 30 June 2012.

(Amounts expressed in thousands of euro, except when indicated)

As at 2013 and 2012, the main movements occurred in Basic Own Funds (Tier I) are as follows:

	31.12.2013	31.12.2012
	(in million of euro)	
Balance at beginning of the year	**6 594**	**5 732**
Capital increase	(1)	489
Increase/(decrease) in non-controlling interest	(235)	596
Retained profit/(loss) for the year	(864)	315
Changes on actuarial losses	(95)	(526)
Goodwill	116	(296)
Recognition of the impact of adopting IFRS	(7)	(12)
Variation of preference shares recognised as Tier I	(39)	(37)
Exchange of hybrid instrumets	-	-
Unrecognised losses on financial instruments	(24)	186
Investments in banking and insurance entities	(77)	(119)
Risks deducted from basic own funds	67	299
Other effects	49	(33)
Balance at end of the year	**5 484**	**6 594**

(Amounts expressed in thousands of euro, except when indicated)

The capital adequacy of ESFG Group as at 31 December 2013 and 31 December 2012 is presented as follows:

			31.12.2013	31.12.2012
			(in million of euro)	
A -	**Capital Requirements**			
	Share Capital, Issue Premium and Treasury Stock		1 768	1 753
	Net Income, Legal and Statutory Reserves, and Retained Earnings		(596)	265
	Non-controlling interest		5 013	5 326
	Intangible Assets, actuarial losses, goodwill and other		(598)	(696)
	Risks deducted from basic own funds		-	(67)
A1 -	**Basic own funds excluding preference shares (Core Tier I)**	(A1)	**5 587**	**6 581**
	Preference Shares		244	282
	Deductions of investments in Financial institutions, insurance companies and others		(347)	(269)
A2 -	**Basic own funds (Tier I)**	(A2)	**5 484**	**6 594**
	Positive Fair Value Reserves and Others (45%)		162	48
	Eligible Subordinated Debt		1 380	1 158
	Deductions of investments in Financial institutions, insurance companies and others		(347)	(269)
	Complementary own funds (Tier II)		**1 195**	**937**
	Deductions		(84)	(71)
	Elegible own funds	(A3)	**6 595**	**7 460**
B	**Risk Asset Equivalents (Basel II - Standard)**			
	Calculated according Notice 05/2007 (Credit Portfolio)		55 891	59 634
	Calculated according Notice 8/2007 (Trading Portfolio)		1 209	1 548
	Calculated according Notice 9/2007 (Operational Risk)		3 503	3 881
	Total Risk Asset Equivalent	(B2)	**60 603**	**65 063**
C	**Prudential Ratios Basel II**			
	Ratio Core Tier 1	(A1 / B2)	9.2%	10.1%
	Ratio Tier 1	(A2 / B2)	9.0%	10.1%
	Solvency Ratio	(A3 / B2)	**10.9%**	**11.5%**

As at 31 December 2013 the Core Tier I ratio was 9.2% (31 December 2012: 10.1%).

In order to comply with the minimum defined by the Bank of Portugal under Basel II rules, applicable as of 31 December 2013, ESFG is currently putting in place a plan which will allow achieving a Core Tier I ratio of at least 10%. This plan in being discussed with the Bank of Portugal and is in an advance stage, being expected to start its execution during the first semester of 2014.

Under BIS III (CRD IV/CRR) which will be in force as from 1 January 2014, the Common Equity Tier I ratio, employing the transitional provisions, is 8.5%, or 8.8% considering the waiver of Article 84 (5) and the eligibility of the minority interests in BESPAR. This result is above the Bank of Portugal's requirement (minimum of 7.0%).

Plans Financing and capitalization (2011 - 2015)

Following the signing of the Memorandum of Economic and Financial Policies, the Portuguese Government and the European Commission (EC), European Central Bank (ECB) and International Monetary Fund (IMF), Portuguese banks, and financial holding companies that consolidate Portuguese banking subsidiaries, have had to develop, quarterly, financing and capital plans for the period from 2011 to 2015, in order to demonstrate the achievement of the following objectives:

- The loan to deposit ratio should, preferably, be reduced to a maximum value of 120% as from December 2014;
- The stable funding ratio should be 100% as from December 2014;
- The Core Tier I ratio must be at least 9% as of 31 December 2011 and 10% as of 31 December 2012, as established in Notice 3/2011 of Bank of Portugal.

Additionally, the dependence of their branches and subsidiaries abroad on domestic Portuguese funding should be minimized; the institutions must reduce their dependence on funding from the ECB; and they should develop policies to support sectors of the Portuguese economy, namely small and medium enterprises. The financing and capital plans should consider moderate access to short-term markets and a gradual opening of medium and long term markets from the fourth quarter of 2013.

In order to prepare the plans, projections of relevant domestic macroeconomic variables, of GDP growth in the geographic areas of greatest relevance to the activities of the banks and further projections of interest rates and other parameters necessary for drawing up the plans were provided by the Bank of Portugal after consultation with the EC/ECB/IMF. Together with the plan for the period in reference, a stress test exercise is required, where the banks should, in an extreme scenario, present a Core Tier I ratio higher than 6% during the period (2011-2015).

NOTE 54 - CONTRACTUAL COMMITMENTS

Securitization transactions

Following the downgrade by Moody's of the Portuguese Republic in February 2012, this agency set the maximum rating attributable to bonds issued in securitized operations as Baa1. Consequently, the operation of securitization of small and medium enterprises put together by BES in December 2010 – Lusitano SME No.2 – lost its eligibility as collateral for rediscounting at ECB and as a result BES chose to exercise its call option on 23 March 2012.

Contract Support Annex (CSA)

BES has a set of contracts negotiated with counterparties with whom it deals in derivative in the OTC market. CSA takes the form of a collateral agreement established between two parties negotiating derivatives with each other on this market, with the main objective to provide protection against credit risk, establishing for that purpose a set of rules regarding collateral. Derivatives transactions are regulated by the International Swaps and Derivatives Association (ISDA) and have minimum margin requirements that may change according to the rating of the parties.

NOTE 55 - TRANSACTIONS WITH NON-CONTROLLING INTEREST AND CHANGES IN THE SCOPE OF CONSOLIDATION

Transactions with non-controlling interest

As explained in Note 1, during the year ended 31 December 2012, the Group entered into several transactions with non-controlling interest, the most significant being the transactions with non-controlling of BES, namely the net acquisition of an additional interest of 0.86% through the acquisition in the market of 29 510 581 shares.

These transactions were accounted for in accordance with the accounting policy described in Note 2.2 as transactions with equity holders in their capacity as equity holders. Therefore, the difference between the net consideration paid and the non-controlling interest acquired, in the amount of euro 45 628 thousand as detailed below, was recognised in equity.

The balance of the components of other comprehensive income, namely the fair value reserve and foreign exchange differences were reallocated in order to reflect the new percentage held.

The impact of these transactions with the non-controlling interest occurred in 2012 is as follows:

	31.12.2012
	(in thousands of euro)
Net consideration paid	17 525
Consideration paid by non-controlling interest	(1 191)
Net consideration paid attributable to ESFG	**16 334**
Non-controling interest acquired	58 498
	42 164
Reallocation of components of other comprehensive income	
Fair value reserve	6 247
Exchange diferences	34
Gain recognised in equity resulting from transactions with BES non-controlling interest	**48 445**
Other transactions with non-controlling interest	(2 817)
Gain recognised in equity resulting from transactions with non-controlling interest	**45 628**

The transaction with non-controlling occurred in 2013 did not have a significant impact in the Group's consolidated financial statements.

Loss of control over subsidiaries occurred in 2012

Pastor Vida

As referred in Note 32, in the first semester of 2012, Banco Popular acquired a controlling interest on Banco Pastor, the legal merger between these two entities having taken place on 5 July 2012.

The change in control of Banco Pastor had a significant impact in the implementation of Group's strategy regarding Pastor Vida and therefore in the second quarter of 2012, the Group took the decision, as permitted within the shareholders agreement established between Tranquilidade and Banco Pastor, to exercise its option to put Pastor Vida shares back to Banco Pastor. The sale was completed during the second semester of 2012. Therefore, the related goodwill and value in force, amounting to euro 23.1 million and euro 57.9 million, respectively, were derecognised.

The impact of the loss of control over Pastor Vida in ESFG consolidated financial statements as at 31 December 2012 can be analysed as follows:

	31.12.2012	
	(in thousands of euro)	
Net consideration received	**40 072**	
Pastor Vida net equity at the date of the loss of control (1)	103 711	(1)
Pastor Vida net equity at the date of the loss of control attributable to ESFG	51,856	
Pastor Vida goodwill	23 110	
Deferred and contingent consideration recognised	(46 100)	
Pastor Vida	**28 866**	
Gain on the loss of control of Pastor Vida recognised in the income statement	**11 206**	

(1) includes value in force amounting to 57.9 million

ES Saúde

As referred in Note 32, in November 2012 (i) Rio Forte Investments, S.A. (Rio Forte) acquired an additional 19.5% stake in ES Saúde, becoming to have a 44.5% shareholding in this company; (ii) ESFG and Rio Forte signed a shareholders' agreement under which Rio Forte assumes control over ES Saúde governing bodies; and (iii) Rio Forte acquired from ESFG a call option, currently exercisable up to May 2013, over 5.5% of ES Saúde sharecapital plus 1 share, giving Rio Forte the current ability to exercise control over the majority of the voting rights of ES Saúde.

As a result of the loss of control over ES Saúde in 2012, this entity is no longer fully consolidated by ESFG and is included in its consolidated financial statements following the equity method (see Note 33).

In accordance with paragraph 34 of IAS 27 and with the accounting policy described in Note 2.2, the non-controlling interest retained by ESFG in ES Saúde following the loss of control, was remeasured to fair value and the resulting gain was recognised in the income statement as follows:

		31.12.2012
		(in thousands of euro)
Retained interest in ES Saúde	43%	
Estimated fair value of ES Saúde at the time control was lost		268 795
Attributable to ESFG		**115 313**
Book value of ES Saúde at the time control was lost		
ES Saúde net equity at the date of the loss of control		128 160
Attributable to ESFG		**54 981**
Gain on the loss of control of ES Saúde recognised in the income statement (1)		**60 332**
Attributable to ESFG		45 007
Attributable to non-controlling interest		15 325
		60 332

(1) arising from the remeasurement of the retained non-controlling interest

The fair value of ES Saúde at the time the control was lost, was estimated based on the transaction price between Rio Forte and third parties occurred in November 2012, as it was considered as a recent comparable transaction. Notwithstanding, this fair value was back tested, ESFG having prepared a valuation report based on a Discounted Cash Flow methodology using the financial budget approved by management, an Weighted Average Cost of Capital (WACC) between 9.0% and 9.3% and a terminal growth rate of 2%.

Following paragraph 37 of IAS 27, the fair value of the non-controlling interest retained by ESFG in ES Saúde, was assumed as the cost on initial recognition of the investment in this associate for the purposes of the initial application of the equity method in accordance with IAS 28.

Business combinations occurred in 2012

Acquisition of BES Vida

Until 30 April 2012, BES held a 50% interest in BES Vida, Companhia de Seguros, S.A. (BES Vida), a life insurance company, which distributes its products in Portugal and Spain, through BES branch network. Crédit Agricole owned the remaining 50 % and controlled its activities.

As referred in Note 1, in May 2012, BES acquired, from Credit Agricole, the remaining 50% of the share capital of BES Vida with the objective of leveraging the marketing of BES Vida's insurance products.

Following this acquisition, BES became to hold the entire share capital of BES Vida and has the management control over its activities. Therefore, BES Vida, which qualified as an associate and was included in the consolidated financial statements of BES following the equity method, has become a subsidiary and is being fully consolidated since May 2011.

The total investment amounted to euro 225 million euro, paid in cash.

This transaction was accounted for in accordance with the provisions of paragraph 42 of IFRS 3 related with business combination achieved in stages, which requires any previously held equity interest in the acquire, to be remeasured to fair value at the acquisition date and the resulting gain or loss to be recognised in the income statement. The amounts recognised in the fair value reserve up to the date in which control in acquired, are required to be recycled to the income statement.

(Amounts expressed in thousands of euro, except when indicated)

As at 1 May 2012, the balance sheet of BES Vida included in the BES Group consolidated financial statements can be analysed as follows:

	(in thousand of euro)
Assets	
Cash and deposits with banks	198 648
Other financial assets at fair value through profit or loss	2 759 100
Available-for-sale financial assets	1 917 328
Held-to-maturity investments	159 551
Property and equipment	93 864
Intangible assets	76 641
Technical reserves of reinsurance ceded	2 512
Income tax assets	112
Other assets	178 712
	5 386 468
Liabilities	
Technical reserves	1 880 631
Investment contracts	3 053 344
Other financial liabilities	194 434
Income tax liabilities	2 342
Other liabilities	40 291
	5 171 042
Equity	
Share Capital	50 000
Other reserves and retained earnings	165 426
	215 426
	5 386 468

The fair value of recognised identifiable assets acquired and liabilities assumed include, under Intangible assets, the amount of euro 107 768 thousand related to the present value of the business in force acquired related to life insurance contracts (Value in Force) (euro 76 515 thousand net of taxes). This asset will be amortised over the remaining lifetime of the contracts.

It should be mentioned, however, that following the reinsurance treaty signed in 2013 by BES Vida, described in Note 32, the net amount of euro 137 476 thousand in relation to the value in force acquired was derecognised, having the remaining amount, been recognised under Other liabilities.

(Amounts expressed in thousands of euro, except when indicated)

The goodwill recognised as a result of this acquisition amounts to euro 234 574 thousand, as follows:

	%	(in thousand of euro)
Goodwill as the excess of:		
Consideration transferred		225 000
Acquisition date fair value of the 50% interest previously hekd in BES Vida		225 000
		450 000
Over:		
Fair value of identifiable assets and liabilities acquired (1)	100	215 426
Goodwill determined on a provisional basis		**234 574**

(1) measured on a provisional basis

The goodwill is attributable mainly to the potential growth of the market where BES Vida operates.

The impact in the 2012 income statement of measuring at fair value the previously held equity interest in BES Vida, representing 50% of its share capital, following the requirements of paragraph 42 of IFRS 3, can be analysed as follows:

	(in thousand of euro)
50% interest previously held in BES Vida	
Fair value	225 000
Book value	66 931
Loss on remeasurement of the previously held in Bes Vida	**158 069**
Recognition in the income statement of the accumulated fair value reserve of BES Vida appropriated on the acquisition of control in Bes Vida	(70 796)
Loss arising from the acquisition of control in BES Vida	**87 273**

(1) Amount before non controling interest. After non controlling interest the fair value recycled to the income statement amount to euro 19.8 million.

The profit of BES Vida from the acquisition date to 31 December 2012 included in the profit for the year attributable to the equity holders of the Company, amounts to euro 32.8 million. If BES Vida had been consolidated from 1 January 2012, the profit for the year attributable to the equity holders of the Company would have increased by euro 0.7 million.

NOTE 56 - RECENTLY ISSUED PRONOUNCEMENTS

56.1 Recently issued pronouncements already adopted by the Group

In the preparation of the consolidated financial statements for the year ended 31 December 2013, the Group adopted the following standards and interpretations that are effective since 1 January 2013:

IAS 19 Revised – Employee Benefits

In 2013, the Group adopted the amendments to "IAS 19 – Employee Benefits" issued in 2011 and effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by European Commission Regulation 475/2012, 5th June. The amendments to IAS 19, included the elimination of the corridor mechanism and the concept of expected returns on plan assets.

The Group made a voluntary change in the accounting police related to actuarial gains and losses arising from its post employment benefits which from 2011 are charged to equity, under other comprehensive income, therefore the adoption of IAS 19 (revised) had no impact in the Group's financial statements in what concerns the recognition of actuarial gains and losses.

However, as a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit. Under IAS 19 (2011), the Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. Consequently, the net interest expense (income) includes interest cost on the defined benefit obligation net of a theoretical return on the plan assets, both calculated using the discount rate applied in the determination of the defined benefit obligation (see Note 14).

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively. The methods and assumptions used in estimating the fair values of financial assets and liabilities are disclosed in Note 52.

Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities, once the major change in the calculation of the fair value was the inclusion of the credit value adjustments (CVA) and debit value adjustments (DVA), which had no significant impact in the valuation of derivatives.

IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

IFRS 7 (Amended) - Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IFRS 7 – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

These amendments required an entity to disclose information about what amounts have been offset in the statement of financial position and the nature and extend of rights to set-off and related arrangements (e.g. collateral arrangements).
The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The adoption of the amendment to IFRS 7 had no impact on the consolidated financial statements.

Improvements to IFRS (2009-2011)

The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, introduce amendments, with effective date on, or after, 1st January 2013, to the standards IFRS1, IAS1, IAS16, IAS32, IAS34 and IFRIC2.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

IAS 32 Financial Instruments, Presentation and IFRIC 2
The improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes, avoid any interpretation that may mean any either application.

IAS 34 Interim Financial Reporting
The amendments align the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures in relation to the changes of profit and loss account and other comprehensive income.

The adoption of these improvements had no impact on the consolidated financial statements.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

The International Financial Reporting Interpretations Committee (IFRIC), issued on 19th October 2011, "IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

Give the nature of the Group's operation, this interpretation did not have any impact on the consolidated financial statements.

56.2 The Group decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective

The new standards and interpretations that have been issued, but that are not yet effective and that the Group has not yet applied, are analysed below. The Group will apply these standards when they are effective.

IAS 32 (Amended) - Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase 'currently has a legal enforceable right of set-off' means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The Group is not expecting a significant impact from the adoption of the amendment to IAS 32.

IAS 27 (Revised) – Separate Financial Statements

The IASB, issued on 12th May 2011, amendments to "IAS 27 – Separate Financial Statements", effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1254/2012, 11th December.

Taking in consideration that IFRS 10 addresses the principles of controls and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent.

The previous version required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).

The Group expects no impact from the adoption of this amendment on its financial statements.

IFRS 10 Consolidated Financial Statements

The IASB, issued on 12th May 2011, "IFRS 10 Consolidated Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, which allows a delayed on mandatory application for 1st January 2014.

IFRS 10, withdraw one part of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investment controls an investee when it is exposed, or has rights, to variability returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure variability in returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as silo).

The new standard also introduce other changes such as: i) accounting requirements for subsidiaries in consolidation financial statements are carried forward from IAS 27 to this new standards and ii) enhanced disclosures are requires, including specific disclosures for consolidated and unconsolidated structured entities.

The Group has not carried out a thorough analysis of the impacts of the application of this standard. Given the introduction of a new control model the Group may need to change its consolidation conclusion in respect of its investees.

IFRS 11 – Joint Arrangements

The IASB, issued on 12th May 2011, "IFRS 11 Joint arrangements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

IFRS 11, withdraw IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be account for using the equity method (IAS 28).

The Group expects no impact form the adoption of this amendment on its financial statements.

IAS 28 (Revised) – Investments in Associates and Joint Ventures

The IASB, issued on 12th May 2011, "IAS 28 Investments in Associates and Joint Ventures", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, which allows a delay on mandatory application to 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the entity method to investments in joint ventures and associates.

The Group expects no impact form the adoption of this amendment on its financial statements.

IFRS 12 – Disclosures of Interest in Other Entities

The IASB, issued on 12th May 2011, "IFRS 12 Disclosures of Interests in Other Entities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

The Group is yet assessing the full impact of the new IFRS 12 in line with the adoption of IFRS 10 and IFRS 11.

Investment Entities – Amendements to IFRS 10, IFRS12 and IAS 8 (issued by IASB on 31st October 2012)

The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted. This option allows investment entities to apply the Investment Entities amendments at the same time they first apply the rest of IFRS 10.

The Group does not expect any major impact from the adoption of this amendment on its financial statements.

IAS 36 (Revised) – Recoverable Amount Disclosures for Non-Financial Assets

The IASB issued on 29th May 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1374/2013, 19th December.

The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

IAS 39 (Revised) – Novation of Derivatives and Continuation of Hedge Accounting

The IASB issued on 27th June 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1375/2013, 19th December.
The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

56.3 Recently Issued pronouncements that are not yet effective for the Group

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014.

The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and require entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

IFRIC 21 Levies

The IASB issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014.

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have any effect on the Group's financial statements.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38.

IFRS 2 – definition of vesting condition
The amendment clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – Accounting for contingent consideration in a business combination
The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets
The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated.
To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables
IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization
In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that:

a) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and
b) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Key management personal services
In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

Improvements to IFRS (2011-2013)

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.

IFRS 1 – meaning of "effective IFRS"
IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures
The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception
Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 – interrelationship with IFRS 3 when classify property as investment property or owner-occupied property
The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

IFRS 9 Financial instruments (issued in 2009 and revised in 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. The IASB currently has an active project of additional disclosures requirements limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised.

The Group has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

NOTE 57 - SUBSEQUENT EVENTS

On 2 April 2014 ESFG sold its remaining 9.0% stake in Banco BEST to BES.

On 18 March 2014 ESFG announced that it had sold a 10.63% stake in Espírito Santo Saúde, as part of the healthcare company's IPO, launched on 6 February. The sale, which included the over-allotment option, leaves ESFG with a 3.38% direct stake in the company.

On 14 February 2014 ESFG announced the sale of its 44.81% stake in BES Vénétie to BES.